AFDC AND SOCIAL SERVICE BILLS AND RELATED OVERSIGHT ISSUES

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

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AFDC AND SOCIAL SERVICE BILLS AND RELATED OVERSIGHT ISSUES

MONDAY, JULY 18, 1983

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION,
Washington, D.C.

The subcommittee met at 1:10 p.m., pursuant to notice, in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing and Chairman Ford's opening statement follow:]

[Press release of Tuesday, July 5, 1983]

THE HONORABLE HAROLD FORD (D., TENN.), CHAIRMAN OF THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, ANNOUNCES THAT THE SUBCOMMITTEE WILL BEGIN HEARINGS ON PENDING PUBLIC ASSISTANCE AND SOCIAL SERVICE BILLS AND RELATED OVERSIGHT ISSUES ON MONDAY, JULY 18, 1983

The Honorable Harold Ford (D., Tenn.), Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee will begin hearings on certain bills pending before the Subcommittee that would amend the Aid to Families with Dependent Children (AFDC), Title XX Social Services and related programs. The hearings will also examine the effects of certain recently enacted amendments to the AFDC program. The hearings will begin on Monday, July 18, 1983, in room B-318 of the Rayburn House Office Building, starting at 1:00 p.m. If necessary, additional hearing dates will be announced in a later press release.

Those who wish to testify at these hearings are asked to address the following bills:

H.R. 2354 (Mr. Ford, Tenn.): To restore certain earned income disregards in the AFDC program, provide additional Title XX Social Service Funds, and extend certain expiring provisions of law.

H.R. 2563 (Mr. Campbell, et al): To establish pilot projects designed to integrate and improve the delivery of services provided under human services programs.

Witnesses are also asked to address the provisions of a legislative proposal to be introduced in the House of Representatives by the Honorable Fortney H. (Pete) Stark (D., Calif.), when Congress reconvenes on July 11. A summary of this bill can be obtained from the Subcommittee on Public Assistance and Unemployment Compensation, room B-317 Rayburn House Office Building, telephone (202) 225-1076.

In addition, witnesses are requested to provide information available to them concerning the effects of the following AFDC amendments contained in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) and the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248):

(1) Section 2307 of the 1981 Budget Reconciliation Act: Amendments providing authority for States to establish AFDC Community Work Experience programs.

(2) Section 2315 of the 1981 Budget Reconciliation Act: Amendments requiring States to implement retrospective budgeting and monthly reporting in the AFDC program.

(3) Section 156 of the Tax Equity and Fiscal Responsibility Act of 1982: Amendments limiting Federal matching funds in relation to erroneous AFDC payments.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Subcommittee must submit their requests to be heard by telephone to Harriett Lawler [(202) 225-3627] no later than noon Wednesday, July 13, 1983 to be followed by a formal written request addressed to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515.

In view of the limited time available to hear witnesses, the Subcommittee will not be able to accommodate all requests to be heard, Those persons and organizations not scheduled for an oral appearance will be encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 100 copies of their prepared statements to the full Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearances.

Each statement to be presented to the Subcommittee or any written statement submitted for the record must contain the following information:

(1) The name, full address, and capacity in which the witness will appear (as well as a telephone number where he or his designated representative may be reached);

(2) A list of any clients or persons, or any organization for whom the witness appears; and

(3) A topical outline or summary of the comments and recommendations in the full statement.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement in lieu of a personal appearance should submit six (6) copies of their statements, by the close of business Monday, August 1, 1983, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 75 additional copies for this purpose during the course of the hearing

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OPENING STATEMENT FOR HEARINGS ON PENDING AFDC AND TITLE XX LEGISLATION

Today we begin hearings on several bills before the Subcommittee that address the AFDC and Title XX Social Security programs.

Mr. Campbell, the ranking Republican Member of the Subcommittee, has introduced a bill that will establish pilot projects to test the effectiveness of consolidating the administration of social service and public assistance programs. I look forward to hearing from witnesses on this bill; and I intend to work with Mr. Campbell and the other members of the Subcommittee to develop experimental programs that will allow us to evaluate alternative administrative arrangements.

The others bills before us, H.R. 3512, introduced by Mr. Stark, and H.R. 2354, that I have introduced, address changes in AFDC and Title XX that were enacted in the 1981 Budget Reconciliation Act. For the most part, these bills would repeal or modify AFDC changes that have placed counterproductive and harmful burdens on AFDC recipients and program administrators. In addition, H.R. 2354 will restore some of the $600 million reduction in Title XX funds that forced States to cut day care services, child abuse programs, special training programs for the mentally and physically handicapped, and food delivery and other in-home services for the homebound elderly and disabled individuals.

Possibly the most important and controversial provisions in these bills are those that will restore some of the AFDC "earned income disregards" that were repealed under the first Reagan Administration budget. We will probably hear from the Administration about a study which indicates that most working welfare recipients who lost eligibility for AFDC and Medicaid because of these changes did not quit their jobs. This simply confirms what those of us that support financial work incentives have always contended: welfare recipients, like most Americans, want to work

and be as self-supporting as possible. They will work if they have the opportunity and can provide for their families.

We have heard from some States and counties, and may hear from others today, that without the disregards, AFDC recipients are discouraged from seeking and accepting employment, because it will mean less income and possibly no health protection for their children.

The important point is that the 1981 Budget Act amendments, especially the repeal of the earned income disregards, forced thousands of families with young children to get by on less food, less clothing and less health care. In addition, they made it ever more difficult for these families to maintain or accept a job.

The AFDC policy established by the 1981 Budget Act is short-sighted, counterproductive and cruel. I intend to continue to work for the repeal of the 1981 AFDC amendments.

Before I recognize our first witness, who is from the Administration, I will recognize Members of the Subcommittee who may have opening remarks.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order for the purposes of hearing from witnesses today on several pieces of legislation that are pending before the subcommittee.

Today we will begin hearings on several bills before the subcommittee that address the AFDC and title XX social service programs.

Mr. Campbell, the ranking Republican member of the subcommittee, has introduced a bill that will establish pilot projects to test the effectiveness of consolidating the administration of social service and public assistance programs. I look forward to hearing from the witnesses today who will be testifying before this subcommittee, and also look to hear from the members of this committee who have also introduced the legislation that is before us.

The other bills that are before us, H.R. 3512, introduced by Mr. Stark, and H.R. 2354 that I introduced, address changes in AFDC and title XX that were enacted in the 1981 Budget Reconciliation Act. For the most part these bills would repeal or modify AFDC changes that have placed counterproductive and harmful burdens on the AFDC recipients and program administrators, and H.R. 2354 will restore some of the $600 million reduction in title XX funds that force States to cut day-care services, child abuse programs, special training programs for the mentally and physically handicapped, and food delivery and other in-home services for the homebound elderly and disabled individuals.

Possibly the most important and controversial provisions in these bills are those that will restore some of the AFDC earned income disregards that were repealed under the first Reagan administration budget. We will probably hear from the administration about a study which indicates that most working welfare recipients who left eligibility for AFDC and medicaid because of these changes did not quit their jobs.

This simply confirms that working recipients like most Americans want to work and be as productive as possible in the work force. They will work if they have the opportunity and can provide for their families.

Before I recognize the first witness today from the administration, who is here with us, I will recognize the ranking minority member of the committee, Mr. Campbell, who I am sure would like to have opening remarks on his bill that we are going to be discussing and hearing from witnesses about today. Mr. Campbell.

Mr. CAMPBELL. Mr. Chairman, thank you very much. First let me thank you for holding the hearings today on the AFDC and title XX social services program, including the legislation that I have introduced, H.R. 2563, to establish pilot projects designed to integrate and improve the delivery of services provided under human service programs. I realize how difficult it was to schedule a day to hold hearings on this bill, and I appreciate your efforts in making the hearing possible. I hope that we will be able to find a day soon when we can mark up the legislation on the consolidated systems.

I am delighted to welcome several distinguished guests in our audience today from the State of South Carolina, several of whom will be presenting testimony concerning the consolidated service delivery system now in operation in my State: State Representative Herbert Kirch, chairman of the York County Project Governing Board; Philip G. Grose, Jr., director of the State reorganization commission; Paulette Redford, administrative assistant to the commission; Dr. Mary T. Littlejohn and Dr. Jack Bloedorn, of the New York County human services project; Bob Bridges, site manager; and Larry Fernandez, director of agency evaluation

Also, I am pleased to welcome Prof. Pete Page, former Secretary of Health and Rehabilitative Services for the State of Florida during the reorganization of their human services system in 1975. This reorganization in Florida has resulted in a more efficient system for the delivery of human services and I know Professor Page's testimony will be very helpful. In addition, I would like to welcome Patricia Schramm, vice chair of the National Council of State Public Welfare Administrators.

The one-stop service delivery system is a step toward consolidating the administration of as many of the 62 separate Federal income security-type programs as possible, into a smoothly integrated system where one caseworker deals with the family, or individual, through all of the various program requirements to develop an overall profile in one physical location. At present an individual in need of services must contact a variety of existing agencies throughout one community. However, if these programs were combined under a one-stop service delivery system the individual would see one interviewer and be referred throughout the building to have his or her various needs met.

For instance, in my State where a similar project has been operated, many van pools would leave each day to pick up the retarded, aging, handicapped, and day-care children. When the agencies got together and discovered the duplication of these transportation services they were able to come up with a consolidated transportation system so that only one-half of the vans previously needed were now being used. This cut transportation costs and made for a more effective system and I am sure that this will be addressed in testimony given by representatives from South Carolina today.

Also, I would like to take a moment to call to your attention the latest telephone directory for Rock Hill, S.C. This directory contains a blue pages section in which the Guide to Community and Human Services numbers lists each of the agencies under the appropriate service heading. For example, adoption, child support assistance, health services, et cetera. This is a result of the human

services demonstration project and helps make these services even more accessible to the public.

Through implementation of these pilot projects, I feel that administrative errors, inequities, and waste can be eliminated as the result of the consolidation of the administration of these programs. I am convinced that both the client and the agencies who serve the client would greatly benefit from a one-stop delivery system.

Thank you, Mr. Chairman.

Chairman FORD. Thank you, Mr. Campbell.

At this time the committee will recognize Jo Anne Ross, who is with the U.S. Department of Health and Human Services as the first witness that will represent the administration. We are delighted to have you before the committee. Thank you very much for coming, and we will await your testimony.

STATEMENT OF JO ANNE B. ROSS, ACTING ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, ACCOMPANIED BY RHODA DAVIS, ACTING ASSOCIATE COMMISSIONER FOR SUPPLEMENTAL SECURITY INCOME; AND DAVID A. RUST, DIRECTOR, OFFICE OF POLICY COORDINATION AND REVIEW, OFFICE OF HUMAN DEVELOPMENT SERVICES, HHS

Ms. ROSS. Good afternoon, Mr. Chairman. Thank you for the opportunity to appear here today to address H.R. 2354, H.R. 2563, and H.R. 3512. As you know, over the last 2 years we have made far-reaching changes in the AFDC program. Through provisions of the Omnibus Budget Reconciliation Act [OBRA] of 1981 and the Tax Equity and Fiscal Responsibiltiy Act [TEFRA) of 1982, we have improved the program:

By requiring that previously uncounted income and resources available to a family be considered in determining its need for assistance;

By targeting scarce resources to those with the greatest need;

By strengthening work requirements and improving employability of recipients; and

By improving administration of the program.

In the first year following the enactment of OBRA, we achieved savings of $737 million and the caseload decreased by 267,000 cases, or about 7 percent. Administrative costs increased only 3.5 percent in fiscal year 1982, substantially less than the increase of 12 percent in fiscal year 1981. While it is too early to measure the impact of TEFRA, we expect to achieve the forecasted savings of $97 million. More important than the savings realized, however, we believe that over the last 2 years the program has been significantly improved. For this reason, we oppose the provisions in H.R. 2354 which would repeal the AFDC changes enacted under OBRA.

Specifically, we oppose the provisions which would:

Repeal the 150 percent gross income limit:

Require States to disregard indefinitely $50 plus one-third of the earned income of AFDC recipients; and

Repeal the requirement that States count the amount of the advance payments of the earned income tax credit which AFDC applicants or recipients are eligible to receive.

Let me first address the provisions which concern earned income. We believe that one of the major areas where improvements have been made in the last 2 years is in the treatment of earned income. As you know, prior to OBRA there was a permanent and substantial disregard of earned income with no limit on the amount of gross income a family could have and still receive assistance.

In every State, a family of four could stay on the rolls with an adult working full time at the minimum wage. In 15 States a family of four could stay on the rolls with earnings over $15,000 per year. When Congress enacted the $30 plus one-third disregard rule in 1967, it intended to establish an incentive for AFDC recipients to find employment and leave the welfare rolls. We now know that the percentage of working recipients did not increase, and in fact, the number of cases closed due to earnings decreased drastically between 1967 and 1980.

The 4-month limit on the $30 plus one-third disregard and the gross income limit insures that recipients leave the rolls when their income is adequate to meet the family's basic needs. Since OBRA, there has been a dramatic decrease in the number of cases with higher levels of income. In May 1981, there were almost 25,000 cases with earnings equivalent to $10,000 a year. In May 1982, there were only about 1,000 cases with this level of income. We believe that restoring a continuing disregard and repealing the gross income limit would once again turn the AFDC program into a costly wage supplement program which we believe should not be the goal of the program.

When these earned income changes were first made, there was considerable skepticism about their effect on working recipients. However, based upon a recent independent national study conducted by a prominent nonprofit organization, Research Triangle Institute, we now have factual information that dispels the myths about these changes.

The first myth was that working recipients who list eligibility because of the OBRA changes would quit their jobs.

The RTI study showed only 15 percent of the recipients who were terminated had returned to the rolls at the end of 1 year. The rate is the same—or lower—than the rate observed prior to the OBRA changes when the permanent $30 and one-third disregard was in effect.

These findings confirm preliminary information we have received from some States that relatively few former recipients were turning to the welfare rolls after OBRA.

In addition, the RTI study showed that working recipients who had lost eligibility and subsequently returned to the rolls stayed on for shorter periods of time than they had previously.

The findings show that the same percentage of welfare recipients began working after the OBRA changes as did prior to them—in spite of the economic conditions. Also, the rate of job loss by AFDC earners was virtually identical in the post-OBRA and the pre-OBRA period, that is, 18 percent.

The third myth was that the OBRA changes cost rather than save money. However, the study estimates State and Federal savings to be approximately $24.4 million per month 1 year later. Equally important, the changes succeeded in targeting resources to those most in need. Recipients who were capable of self-support were removed from the welfare rolls. Prior to OBRA, only a small percentage of cases were closed as a result of earnings, and working recipients could stay on the rolls indefinitely. However, in the year following OBRA, about half of the earners were removed from the welfare rolls. Earners who remained on the welfare rolls were generally those with lower earnings and corresponding higher AFDC benefits.

We also oppose the provision of H.R. 2354 which would repeal the rule requiring States to count the amount of the advance earned income tax credit payments which AFDC applicants or recipients are eligible to receive. This rule insures that States count nonwelfare sources of income to which the applicant or recipient is entitled before making payment of welfare.

Also, the earned income tax credit was intended to assure that the Federal tax system did not take a disproportionate share out of a low-income person's wages and, thereby, to prevent dependency on welfare. By permitting individuals to ignore the credit and receive welfare, its purpose is defeated.

We also oppose the provision in H.R. 2354 which increases the appropriation cap levels for the social services block grant by $300 million in fiscal year 1984, fiscal year 1985, fiscal year 1986, and succeeding years. The President's fiscal year 1984 request of $2.44 billion for this program is adequate to meet the needs of the program and is consistent with the President's goal of promoting economic stability by reducing the growth of Federal expenditures. Our fiscal year 1984 request is $60 million below the appropriation cap level in order to partially offset the fiscal year 1983 supplemental appropriation of $225 million under Public Law 98–8.

H.R. 2354 also includes provisions to permanently extend the temporary authority enacted in Public Law 96–272 to federally reimburse State expenditures for foster care maintenance payments made on behalf of dependent children voluntarily placed in foster care. On May 23, 1983, Secretary Heckler submitted legislation to Congress which also proposed that this authority be permanently extended in order to enhance State flexibility in responding to the needs of children. However, the proposed permanent extension was contingent on enactment of a permanent cap on Federal foster care expenditures under title IV–E of the Social Security Act.

As you know, Mr. Chairman, the basic purposes of the Adoption Assistance and Child Welfare Act of 1980 were to reform the foster care system in order to encourage family stability through the funding of preplacement preventive services, assure the most appropriate foster care placement through a series of State systems improvements, and, when necessary, provide for the placement of children in adoptive homes through adoption subsidies.

When the Federal Government funds an open-ended foster care entitlement, States lack fiscal incentives to increase efforts to remove children from expensive institutional care, reunite children with their families, or place them in permanent adoptive homes.

Despite reductions in the number of children in foster care, we estimate that Federal foster care expenditures will increase by $45 million, 11 percent, between fiscal year 1983 and fiscal year 1984. Our fiscal year 1984 request of $440,170,000 represents our estimate of foster care reimbursements without a cap. So we are not proposing a fiscal year 1984 reduction; savings would be achieved in future years. The permanent extension of the voluntary placement authority should be enacted in conjunction with a cap on Federal foster care expenditures.

Now let me briefly turn to the administration's major fiscal year 1984 AFDC proposals. Several of our budget proposals are designed to further strengthen work requirements and improve the employability of recipients. The administration believes that all able-bodied individuals who request assistance should be involved in some type of work-related activity from the day they apply. We propose:

First, that all applicants who are able to work be required to begin searching for employment as soon as they apply for assistance; second, that those who cannot find employment must actively participate in a community work experience program [CWEP] or a subsidized employment program in order to increase their employability through actual work experience; and third, that sanctions be applied against individuals who voluntarily terminate their employment or reduce their hours of employment without good cause.

Under TEFRA, States were permitted to require participation in job search by both applicants and recipients. Thirty-four States have implemented at least one of these work programs, which help divert able-bodied individuals from the welfare rolls. Twenty-two States are operating CWEP's under the current optional provision with very promising preliminary results.

In States which have implemented strong work requirements we have seen significant reductions in welfare dependency. Programs that incorporate job search and mandate participation by employable individuals have achieved significant caseload reductions through both job placements and deterrence.

We also have several proposals to insure that, in determining a family's need for assistance, all sources of income available to the family are considered. We propose to require that parents and minor siblings—except SSI recipients—living with an AFDC child be included in the assistance unit. The requirement would eliminate inequities caused when families exclude members with income from the assistance unit in order to maximize welfare benefits and would recognize that primary responsibility for support resides within the immediate family and not with the Government.

Also with regard to defining the assistance unit, we propose to discontinue assistance to an employable parent or other caretaker relative when the youngest AFDC recipient is 16. We also propose that minor caretaker relatives who are not or have never been married be eligible for assistance only if they reside with their parents except under limited circumstances.

In the area of retargeting assistance, there are two proposals which further serve to limit eligibility to those who are most in need and cannot provide for themselves. First, we propose to require States to adjust the portion of the AFDC grant allocated for

shelter and utilities for any assistance unit sharing a household with others. Second, we propose to eliminate payments to children whose parent is absent solely due to employment-related activities.

Finally, we have several proposals that are important to the effective administration of the program. Two proposals clarify congressional intent in order to resolve pending court cases on certain OBRA provisions. The proposed lump sum amendment would make clear that the lump sum rule applies to persons who are not AFDC recipients but whose other income is considered in determining eligibility and benefits. It also would clarify congressional intent that the provision applies to both earned and unearned income. Another proposed amendment would clarify that the $75 standard work expense disregard is to be subtracted from gross income rather than net income.

In summary, Mr. Chairman, the RTI study and information from other sources have established that the changes made to the AFDC program in 1981 and 1982 have been successful in reducing welfare dependency among employable individuals and in targeting assistance to those most in need. We strongly oppose efforts to undermine that success. We believe that our fiscal year 1984 proposals build upon the progress we have made over the past 2 years.

Our fiscal year 1984 budget proposals represent the administration's recognition that in time of severe budgetary crisis, scarce resources must be carefully targeted. But regardless of the level of spending for AFDC, the program must be one that really benefits dependent children, not one that prolongs their welfare dependency. Our overriding concern in developing these proposals is to give AFDC children and their families the kind of support that really helps in the long run.

We believe that the way to help children is to help families achieve self-sufficiency and avoid welfare dependency. For those who are forced to rely on assistance, we are committed to establishing an equitable welfare system capable of targeting scarce resources where the need is the greatest.

Mr. Chairman, there are a number of other issues before the subcommittee, including those in H.R. 2563 and H.R. 3512, which we are reviewing. Although we have not yet developed an official position, a preliminary review raises some questions about the cost potential of H.R. 2563, and serious concerns about the cost and programmatic impact of H.R. 3512. We will provide the committee with written comments on these issues as soon as possible.

Again, Mr. Chairman, I appreciate the opportunity to appear before this subcommittee.

I have with me Dave Rust, who is the Director of the Office of Policy Coordination and Review for the Office of Human Development Services, and Rhoda Davis, the Acting Associate Commissioner for Supplemental Security Income in the Social Security Administration. We would be happy to answer any questions you might have.

Chairman FORD. Thank you, Ms. Ross.

Ms. Ross, I notice that you are Acting Associate Commissioner for Family Assistance; is that correct?

Ms. Ross. Yes, sir, that is correct.

Chairman FORD. Your position prior to becoming Acting Associate Commissioner was what with HHS?

Ms. Ross. I was the Deputy Associate Commissioner for Family Assistance.

Chairman FORD. Were you there in 1981?

Ms. Ross. I started October 1, 1981, yes, sir.

Chairman FORD. Were you familiar with the 1981 Budget Reconciliation Act that was adopted by the Congress?

Ms. Ross. Yes, sir, I was. I worked on the Senate side prior to that.

Chairman FORD. You worked on the Senate side prior to that. I notice that the chairman's bill is totally opposed by the administration. I notice that every provision within the bill, H.R. 2354, would be strongly opposed by the administration in every way; is that correct?

Ms. Ross. Yes, sir, that is correct.

Chairman FORD. At the conclusion of your remarks or your statement, Ms. Ross, you talked about what the administration is trying to do to assist children and provide for the children what would be in their best interests; is that correct?

Ms. Ross. Yes.

Chairman FORD. Wouldn't you think that health care would be one of the vital concerns of children of this country, who are recipients of AFDC?

Ms. Ross. I think that adequate health care is necessary for all children, yes.

Chairman FORD. And when you find that work incentive that has been placed there before the Reconciliation Act with the earning disregards, when you think of the mother who is trying to work and receiving minimum wages, without health care provisions on a job, don't you think that those children should still have the protection of the health care benefits under medicaid?

Ms. Ross. Well, sir, the telephone survey part of our study which was an attempt to followup——

Chairman FORD. Tell us a little bit about that telephone survey.

Ms. Ross. Yes, sir. The telephone survey was an attempt to find out exactly what was happening in terms of how individuals who lost AFDC eligibility were meeting their basic living expenses.

Chairman FORD. How many people did you talk with, 10, 1,000, 2,000? How many people?

Ms. Ross. We didn't talk to anyone. The Research Triangle Institute, the firm that conducted the study, had originally intended to talk to between 340 and 370 families.

Chairman FORD. How many did they talk with?

Ms. Ross. They actually were able to contact 140 families.

Chairman FORD. Just 140?

Ms. Ross. That is correct.

Chairman FORD. Did you finish telling us about it?

Ms. Ross. When they did the followup telephone survey and talked to those individuals, they found some interesting characteristics about the people. They found out that two-thirds or more of them had a high school education or higher, that a substantial portion of them, I believe it was 40 percent, had been on welfare for approximately 6 years or more, and that another substantially

high percentage had been on welfare for over 3 years. They also found out that of those individuals, over 50 percent had their health care costs met through their employer.

Chairman FORD. Fifty percent had health care?

Ms. Ross. Through their employer, yes, sir, and approximately 7 percent were still eligible for medicaid.

Chairman FORD. How did the research firm select the 140, or how did they identify the 140 cases that they made contact with?

Ms. Ross. Perhaps it would be helpful if I explain to you exactly how the whole study was constructed, because the telephone survey was derived from the larger study. They chose a random sample of cases with earned income in the year prior to the enactment of OBRA, from September 1980 to September 1981. Then they chose another sample of cases with earned income, from September 1981 through September 1982. They tracked those cases, did meticulous case reviews, and then followed up with about 360 cases—those who had earnings in September 1981, lost their eligibility, had their cases closed and not reopened. Some 1,700 cases in total were reviewed, the 140 cases represent all of the 360 closed cases that RTI could contact.

Chairman FORD. I listened to the testimony. The problem with it is that this administration hasn't changed a bit in the last 2 years, and now we are going to come right back and once again sending a clear message to the poor in this country that the insensitivity is there from the White House, and is built in down to HHS and it is going to remain there. But I would hope that this Congress would send another message to HHS as well as the administration and let them know that we are not going to tolerate what the administration is trying to do to the poor.

We have worked with the administration in the past. We have tried in every way to do just that. But when we see the administration coming in and testifying before the committee, and with no sensitivity at all for the poor and the needy in this country, it is a clear indication that the administration is going to continue to be headed in the wrong direction.

The Chair doesn't have any other questions at this time. I recognize Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Let me ask one other followup question, if I might, on the sample. I assume that the sample was done by scientific methodology, like any type of a sample would do? It would have carried an error rate and an accepted practice such as you might poll any group to obtain an opinion or to obtain results; is that correct?

Ms. Ross. Yes, sir, it was a statistically valid sample.

Mr. CAMPBELL. So this is an accepted practice that you used in all types of sampling in various fields throughout the country?

Ms. Ross. Yes, sir. I would like to make a distinction. The sampling that was done for the study itself was definitely a statistically valid study. However, we have never claimed that the telephone survey sample could be projected across the entire population.

Mr. CAMPBELL. Correct. But the other was a statistically valid sample that you started with, as you would in any type of study?

Ms. Ross. Yes, sir.

Mr. CAMPBELL. So it wasn't something out of the clear blue sky that somebody just put together that they wanted to ridicule the result of. As a matter of fact, we gain our statistics from the way the government operates, employment or unemployment and everything else, from statistically valid samples every month; don't we?

Ms. Ross. Yes, sir, we do.

Mr. CAMPBELL. It would be terrible if we had to count them all, because we couldn't do that. But we have developed a method and the methodology to do it, and I wanted to make sure that that is what you did in this particular study.

I am very interested in noticing in here that the States that have had some work requirement, that they have had strong and major reductions in their welfare dependency, and that they have also achieved major caseload reductions through job placements and deterrents.

I happen to have had one of those in one of my counties, and the interesting thing was the first 30-some-odd that were required to go ahead and meet a work requirement, of that group, about 25 dropped off of the program, and the first cry that went up was—this was in Greenville, S.C., in case anybody wants it in the record—the first cry that went up was that the people were going hungry, but they found out that, instead, they had been working two jobs, many of them for cash, not paying taxes, not counting income. But when it came down to meeting a work requirement or drawing their benefits, it was more valuable for them to continue to work, and so they went into legitimate work. Have you found that in some of these others, I notice?

Ms. Ross. That has been the case in some States, Mr. Campbell, yes. Not only that, but as you mentioned earlier, States that have had work requirements, they have been extremely successful. You mentioned caseload reduction.

Mr. CAMPBELL. Yes.

Ms. Ross. In the State of Oklahoma, for example, approximately 20 to 30 percent of the recipients who were involved in community work experience left the rolls due to employment. They have had case closings 200 percent higher than they have had in the past, largely due to those individuals who have been involved in the work programs.

Chairman FORD. Which States are you talking about?

Ms. Ross. Oklahoma, New York, I believe North Carolina and West Virginia. I would be happy to submit a list to you for the record, Mr. Chairman, if that would be helpful.

[List referred to follows:]

Oklahoma, New York, North Carolina and West Virginia indicate that 20 to 30 percent of their community work experience program (CWEP) participants are entering employment.

Several States that have implemented strong work requirements have seen large reductions in welfare dependency. In Oregon, there was a 10 to 12 percent reduction in caseload because of applicants diverted through applicant job search. In Oklahoma, placements in the first 6 months of the program were up 200 percent over prior levels. The State estimated a 10 to 15 percent decrease in caseload attributable to the work program. In Kent County, Michigan, as a result of the work program for AFDC-Unemployed Parents, 20 percent of the applicants were diverted into jobs. Forty percent were deterred or dropped from the rolls due to failure to participate in the work program.

Mr. CAMPBELL. If time permits. I am interested in some of the other results of the legislation we took concerning the disregards and the fact, if I read that correctly, we had only about 15 percent——

Ms. Ross. Yes.

Mr. CAMPBELL. [continuing]. Come back on the rolls. What happened to the other 85 percent?

Ms. Ross. The other 85 percent remained off the rolls when they left as a result of the changes we made in the earned income provisions.

Mr. CAMPBELL. They went to work, or in a training program, or something along those lines, and they got a job, or what did they do?

Ms. Ross. They left because they had some other means of support. In most cases, it was employment. The telephone survey indicated that around 90 percent were involved in some kind of employment, at least part-time if not full-time employment.

Mr. CAMPBELL. You don't have any opposition in the administration, in your work requirements or incentives to go to work, and having people either be required to go into job employment, on-the-job training, or some type of training program, do you, as an effort to make them eligible for employment, if we were to incorporate that sort of thing, as long as we are trying to encourage people to go to work? I haven't seen the administration oppose that concept yet.

Ms. Ross. I am sorry, sir, I am not sure I understand exactly what you are asking me.

Mr. CAMPBELL. I said, you wouldn't have any objection in dealing with these requirements for work, that if you included that either if they didn't find a job, that they be enrolled in a program training, someone, for a skill, at the same time they were drawing certain benefits, in order to prepare them for employment, you wouldn't have that type of objection to legislation, would you?

Ms. Ross. Well, let me say this, Mr. Campbell. This year in our work proposal, we allow the States a lot of flexibility in terms of what would meet the work requirement. For example, we would allow the States the flexibility to decide whether performing in one of the training programs under the Job Training and Partnership Act would substitute as a work requirement.

Mr. CAMPBELL. So that could, under the States' flexibility?

Ms. Ross. Right.

Mr. CAMPBELL. They could do it?

Ms. Ross. Right.

Mr. CAMPBELL. Confucious taught us a long time ago that if you give a person a fish, you feed him for a day; if you teach him how to fish, you feed him for a lifetime. As I understand it, you have no problem teaching people how to fish?

Ms. Ross. No, sir.

Mr. CAMPBELL. Let me turn to one other thing. In this legislation that I have in, and I didn't really want to get into all of this one, but the legislation, H.R. 2563, which is the one-stop delivery system, I am not going to take much in question. I am disappointed that the administration, after several months, didn't have time to complete a review on it; but I would like to point out that there

will be testimony later that perhaps the administration could learn from, of some demonstration projects that have been under special grants in cooperation with the States, that have resulted in improved services, that have resulted in cuts in costs and more efficient management programs. I should hope that the administration will take the time to take a good look at this.

Ms. Ross. Yes, sir, I assure you that we will, and we will submit our position in writing to the committee as soon as we have completed the review.

Mr. CAMPBELL. I would appreciate that.

Chairman FORD. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman.

You referred several times, Miss Ross, in your testimony, to the work requirements that all applicants who are able to work be required to begin searching for employment, or that they get into a community work experience.

I presume that you don't intend for any of these poeple to work for less than the minimum wage?

Ms. Ross. No, we do not.

Mr. STARK. And not to displace any workers who are currently employed?

Ms. Ross. The experience we have had to date——

Mr. STARK. That would be a condition, I presume. You wouldn't displace another worker with a lower paid minimum wage worker.

Ms. Ross. We would not intend to displace another worker.

Mr. STARK. And you would provide transportation, so that you wouldn't offer someone a job that is 100 miles away and find they couldn't accept because they had no way to get there?

Ms. Ross. We do match transportation costs that are provided by the agency.

Mr. STARK. How about day care for dependent children?

Ms. Ross. Yes, day care would be required for anyone with children under school age.

Mr. STARK. And the job training would be meaningful.

It would have some training value for the person taking the job, either to learn good work habits or to learn a skill, and the end result would be something more than a menial job.

Ms. Ross. We certainly would want them to learn either good work habits or a skill, yes.

Mr. STARK. All of these factors would be written into the requirements, so that, absent any of them, the person would not lose his or her AFDC benefits, is that correct?

Ms. Ross. As we have discussed, yes, it is.

Mr. STARK. I think that is good and something that I could certainly support.

I hope we can find enough jobs and enough money to provide that, but also you mentioned those States where you have implemented strong work requirements.

Do any of those States have stronger work requirements than the State of California where our present President, I might add, designed the work requirements when he was Governor of that State, and we do have very stringent work requirements.

I just wondered if you know offhand whether any of the States have stronger work requirements than we do in California?

Ms. Ross. It would be difficult for me to say whether some are stronger. Certainly, for individuals who are receiving AFDC there is at least a requirement——

Mr. STARK. I would like very much to see if you could provide us with the work requirements that attend these workfare programs in each State and see the number of people that have come off the rolls.

[The following was subsequently received:]

Work requirements authorized under Federal statute include the Community Work Experience Program (CWEP), Employment Search, the Work Supplementation Program (WSP) and the Work Incentive (WIN) and Work Incentive Demonstration (WIN Demo) programs. Each State is required to operate a WIN or WIN Demo program. Title IV-A administered CWEP, employment search and WSP are options available to each State. Looking at some of the States which have made significant use of these options, we find:

Michigan during the quarter April through June 1983, registered 38,011 individuals in its work program and 8,331 entered unsubsidized employment. During this period, 2,109 left welfare with a State estimated savings of $649,899. Additionally, 6,239 had grant reductions resulting in $588,389 savings. This is at a time when unemployment has hovered around 16-17 percent. Michigan has made extensive use of both CWEP and employment search in achieving these results. These programs are being operated with ¼ the staff that was assigned to the former WIN program.

West Virginia has focused its work requirement through CWEP. From January 1, 1982 to the present, 8,359 recipients have participated in CWEP assignments. Of these recipients, 1,819 or 21.8 percent have entered unsubsidized employment. A larger than normal percentage of case closures (33.7 percent of 5,393) results from employment derived from the program. West Virginia's unemployment rate has been around 21 percent.

Oklahoma, making intensive use of a combination of CWEP and WIN Demo job search activity, has increased the number of applicants and recipients entering employment from 2,020 in the last full year of WIN activity to 3,511 in 1982 and an anticipated 4,000 in 1983.

Under the new options available to the State, Oklahoma is applying the work requirement to a much greater segment of the AFDC population and has doubled the number of individuals entering employment. According to State estimates, the new State work program effectively reduced the AFDC caseload by ten to fifteen percentage points.

Oregon, using an intensive employment search program for applicants and recipients, reported for the quarter January through March 1983, that out of 12,027 registrants in its work program, 4,658 entered unsubsidized employment. Of these, 1,118 recipients left welfare, 3,433 had grant reductions and 110 applicants were diverted from needing welfare. Additionally, 418 recipients were sanctioned for not participating and 499 applicants chose not to meet the requirement and did not proceed with their application. The State estimates monthly grant savings or avoidance at $705,090.

North Carolina has implemented in six counties a work program consisting of job search, CWEP and job preparation. As of March 1983, 651 of the 2,734 individuals registered for the work requirement had actively participated. Of these 651 participants, 291 found paid employment. There were 89 individuals sanctioned for failure to meet the work requirement.

New York has reported that about 29 percent of its CWEP requirements were successful in deterring about 9 percent of the potential program participants. Overall, according to a conservative estimate, the CWEP produced program savings of about $2 for every $1 administrative costs.

Mr. STARK. This report by the Triangle Research Group that you are referring to in your testimony, are you familiar with the statistical sampling methods? Have you checked them?

Ms. Ross. I am not a technician, no; but I do have someone here from my staff who might be able to answer questions.

Mr. STARK. I wonder, how would you reflect on the statistical relevance of a sample in which half the population or half the universe is unavailable?

In other words, a paragraph here indicates that they were unable to contact approximately half of the potential respondents in the survey data presented in the chapter on how people cope once they lose their AFDC benefits. Don't you think this point is statistically significant?

Ms. Ross. No, we did not make a claim that it was. We have never tried to project those figures across the entire population.

Mr. STARK. That is good because in the report it says that:

> An area in which the needs of these families may not be met is medical care. Nearly half of them will have insurance, but only a small portion of the other half are covered.

It suggests that this is something that we ought to look at. It also suggests in the closing sections that the families involved were somewhat better off because they could afford phones and therefore could be contacted, while those the researchers were unable to reach could not afford phones. I would like to point out that it does say here that the families involved in this survey "are different from the typical AFDC family."

They appear to be headed by persons with more education. They tend to be slightly smaller. The children tend to be older, and these characteristics may well be the factors that contribute to the ability of these families to maintain a relatively self-sufficient economic existence.

"More definitive judgments about the status of families who lost AFDC due to the OBRA 1981 Act cannot be made without a more extensive followup.".

Ms. ROSS. We have been looking at a number of options for doing various follow-up projects, and have not yet made our decision.

Mr. STARK. So you really don't think this study tells us anything?

Ms. ROSS. I think that study tells us, if you are referring to the telephone survey——

Mr. STARK. I am talking about evaluating this study.

Ms. ROSS. The entire report, Mr. Stark, is not on the telephone survey. In fact, the much more substantial part of the report is on the actual study that was conducted on the approximately 1,700 cases. We believe that study tells us quite a bit.

As far as the telephone survey goes, we believe it gives us some interesting characteristics and some factors to look at, but we would not try to project those as being nationally representative.

Mr. STARK. Don't you think we should look into the fact that the study showed that medical care is a serious concern to people leaving AFDC?

Ms. ROSS. The purpose of that study was not to look at the provision of medical health care but to look at the pattern of behavior of recipients who left the roles due to income changes.

Mr. STARK. Why do you think that it is important to provide medical care for the people who leave AFDC?

Ms. ROSS. I think that persons obviously must have adequate medical care to meet their needs. I think that those individuals who did not return to the rolls are aware of the fact that the AFDC program is in existence since they were previously AFDC recipients. If they were in a State that had a medically needy program

and could or did spend down to become eligible for medicaid that would help meet the need. That possibly accounts for some of the individuals who were not represented in the telephone survey as having health care coverage.

I also think that as former AFDC recipients, they were very much aware of the program. If health care costs became a major factor in their family economy, that they would probably quit their jobs and come back on the rolls in order to restore medicaid eligibility.

Mr. STARK. So wouldn't we be better off letting them keep their jobs and provide them with some medical care? Wouldn't that be a better thing for the country and keep them working?

Ms. Ross. I think one of the key things, Mr. Stark, is the fact that they did not come back on the rolls, that in fact these individuals have stayed off the rolls, and we assume are able to meet their basic needs.

Mr. STARK. One other question.

Did you find in all of these surveys, the 1,700 in the phone survey, any instances of people cheating or having cheated?

Ms. Ross. I am not sure that the study would have actually picked that up because that was not an objective of the study. No, I don't believe it did.

Mr. STARK. So of all the 1,700 in the phone surveys, nobody knows of any instances of people cheating?

Ms. Ross. As far as I know, no.

The study, at least did not point that out.

Mr. STARK. Thank you.

Chairman FORD. Miss Ross, before I recognize Mr. Pease, Mr. Stark was reading from the evaluation here on the survey. Is not the qualifications that Mr. Stark just read somewhat different from your statement that you testified earlier?

Page 3 you mention the Research Triangle Institute.

Ms. Ross. Yes.

Chairman FORD. You said, "We now have factual information that this dispels the myths about these changes."

Ms. Ross. Yes.

Chairman FORD. You responded to him a minute ago on this survey, and you mentioned here on page 3 that we now have factual information.

Ms. Ross. Yes, and I believe we do, in terms of the actual purpose of the study, and not focusing on the telephone survey, which was really more or less a sideline effort. It was a very small part of the study activity. The substantial part of the study and the focus of the study was to look at the effect that the earned income provisions had on those individuals who were removed from the rolls, and as far as those go, the figures show that——

Chairman FORD. Your testimony was inconsistent to your response to Mr. Stark a minute ago. That is why I brought it up.

Mr. CAMPBELL. Will the chairman yield?

Chairman FORD. Yes, Mr. Campbell.

Mr. CAMPBELL. The study was designed, was it not, strictly to look at who quit, what effect the change had, and what happened to him.

It was not designed to find out whether there was fraud, was it?

Ms. Ross. No, sir, it was not.

Mr. CAMPBELL. So that wouldn't have had anything to do with it.

The telephone sample was not held out as a statistically valid part. Merely the 1,700?

Ms. Ross. That is right.

Mr. CAMPBELL. Essentially the only question that you had an answer to was that 85 percent of them didn't go back on the welfare rolls, but rather went into a support, some other type of support for themselves?

Ms. Ross. Yes, that is correct.

Mr. CAMPBELL. Is that about all we can draw?

Ms. Ross. Well, there are a couple of other things that we can also draw. One of those is the fact there was a great concern about the work efforts of the AFDC recipients—whether individuals who did not have jobs seek jobs after the changes, and whether more individuals would quit their jobs and stay on the AFDC rolls.

In fact, the study showed that in the year prior to OBRA and the year after OBRA roughly 4 percent of the recipients undertook employment.

Also, it showed that prior to OBRA and after OBRA about 18 percent of the recipients quit their jobs.

Mr. CAMPBELL. But it was strictly on the job aspect?

Ms. Ross. That is right.

Mr. CAMPBELL. There was nothing in the survey that determined medical needs or medical things of this nature at all?

Ms. Ross. No.

Mr. CAMPBELL. So any of that is totally separate from the findings of this survey?

Ms. Ross. Yes, that is correct.

Mr. CAMPBELL. Thank you.

Chairman FORD. Just to make that clear, this study did not focus on the quality of life, I guess, for those single parent families who would be drawing minimum wages and no health care benefits?

Ms. Ross. No, sir.

Chairman FORD. Is that basically what you are saying?

Ms. Ross. Yes.

Chairman FORD. It did not focus in that direction at all?

Ms. Ross. It was not a primary focus of the study, no.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman.

Miss Ross, if I could pick up on the point just raised by the chairman, have there been any other studies of the quality of life of welfare recipients, particularly those who were subject to this change in the law in 1981?

Ms. Ross. Offhand, I am not aware of other national studies or representative studies that have been done, no.

Mr. PEASE. Have there been any studies that you know of of what happens to medical care for those who lost their eligibility for medicaid because of this 1981 change in the law?

Ms. Ross. In terms of looking at the quality of life? No, sir, I am not aware of any.

Mr. PEASE. Do you have any plans to do that?

Ms. Ross. Well, again, as I indicated I believe to Mr. Stark, we are looking at several alternatives in terms of further analysis of

the data we got in this study and also other areas to explore. We have not made a final decision yet.

Mr. PEASE. In your testimony you cite the savings to the Federal Government from OBRA and then you say "More important than the savings realized, however, we believe over the last 2 years the program has been significantly improved."

Does that mean improved from the point of view of the recipients?

Ms. ROSS. We believe it has been improved. We had what we consider four major themes that we used to frame our proposals for 1981 and 1982. Those themes involved strengthening the work requirements, counting all available income and resources, improving program administration, and targeting benefits to those most in need.

Basically the proposals were designed to restore the AFDC program to a program of last resort for people who absolutely had no other means of support and were not able to work and support themselves. We feel we have made great strides in accomplishing that goal.

Mr. PEASE. So the improvement of which you speak is in terms of the objectives that you had in the first place?

Ms. ROSS. Well, one of those objectives was to target the assistance to those most in need. We believe that we have helped accomplish that because, as you know, States are under very tight fiscal constraints these days, as is the Federal Government. We believe that as a result of our changes, States have been able to use the funding that has been made available as a result of people with higher levels of income going off the rolls to help other families in need.

In fact, I think in some 25 States the need or payment standard or both have has been increased over the last 2 years. States have had more money available to increase the payment standards for those people receiving AFDC.

Mr. PEASE. Would you think it would be worthwhile to at least examine what has happened to the quality of life, particularly in terms of medical care, of those families which have had to leave the rolls as a result of OBRA?

Ms. ROSS. That is an area that we have considered for future study should we have sufficient funds available to do it. We are considering that among other things.

Mr. PEASE. There were several qualifiers in there. Do I get the impression that it is not at the top of your priority list to have such a study?

Ms. ROSS. No. What I am trying to say is, we have a limited research budget as I am sure almost everyone does these days. We have been looking at a variety of things, and that is certainly one of the things we have looked at.

I think one of the things that we also need to keep in mind is the fact that States have the flexibility to continue to provide medicaid if they want to through the medically needy program, and only about three-fifths of the States do that.

Mr. PEASE. Because of the fiscal restraints that you spoke of before, no doubt?

Ms. ROSS. Perhaps it is because of that.

Mr. PEASE. Let me direct your attention to page 2 of your testimony just for clarification.

You say at the bottom of the page, "In May 1981 there were almost 25,000 cases with earnings equivalent to $10,000 a year, and in May 1982 there were only about 1,000 cases with this level of income."

Are you talking there about earned income above and beyond AFDC payment?

Ms. Ross. Yes, we are talking about earned income. We are talking about people that are working.

Mr. PEASE. 25,000 cases. What would be the total number of AFDC cases? What are we talking about here? The total number of AFDC cases?

Mr. Ross. The case load is around 3.8 million. I can double check that for you.

Mr. PEASE. 3.8 million.

Ms. Ross. Excuse me. It is actually 3.6 million.

Mr. PEASE. 3.6 million. I realize it varies by State, but can you give us a range or maybe even a maximum for the best State, of what is available to an AFDC family from AFDC payments?

Ms. Ross. What the average payment is? The average payment, if you take all the States, is about $299 a month.

Mr. PEASE. That would be $3,600 a year?

Ms. Ross. That is right.

Mr. PEASE. Do you have any idea what the maximum would be?

Ms. Ross. The maximum State? I have a table here that has all the State need and payment standards.

If you give me just a minute, I will be happy to look over it and find it for you.

Mr. PEASE. Surely. Try New York or California. They are usually the leanest.

Ms. Ross. That is where I was looking. What size family would you like; two, three, four?

Mr. PEASE. Let's say four.

Ms. Ross. Family of four? In California it is $601.

Mr. PEASE. $601? Per month, per family of four?

Ms. Ross. Yes, and in New York it is $515.

Mr. PEASE. And the $10,000 a year that you were talking about would have been earned income on top of the AFDC payment, is that right?

Ms. Ross. Well, I am not sure it would have necessarily been on top because you have to take the disregards into account. There would be some.

Mr. PEASE. They would get some AFDC and some of the earned income.

Ms. Ross. Yes.

Mr. PEASE. It looks to me as if we are in a situation now where fewer than 1,000 cases out of 3.6 million, where the families are getting say much more than $10,000 a year, would that be through a combination of earnings in AFDC? Would that be fair enough, do you think?

Ms. Ross. I am not sure that I understood exactly what you said. Would you mind repeating?

Mr. PEASE. I am trying to calculate how many people would earn or receive over $10,000 a year—families of four, from a combination of earnings and AFDC. Do you have any figures on that at all?

Ms. ROSS. I don't know how to answer that at this time, but if you would like we will be happy to submit an answer for the record.

[The following was subsequently received:]

Recipient characteristic data show that in May 1981 about 12,500 families of four had combined AFDC payments and earnings greater than $10,000 per year. In May 1982, after the OBRA amendments, 2,336 families of four had payments plus earnings greater than $10,000 a year. Independent of size, there were approximately 98,000 families with combined AFDC payments and earnings in excess of $10,000 in May 1981. This decreased to 26,000 by May 1982.

Mr. PEASE. I would be sort of interested in that. It just strikes me that $3,600 a year is not very much money for people who are on AFDC to survive. Does that include food stamps?

Ms. ROSS. No.

Mr. PEASE. Or would food stamps be in addition?

Ms. ROSS. I was just going to mention that housing assistance, food stamps, low-income home energy assistance, all of those would be in addition to the AFDC grant.

Mr. PEASE. And the value of medicaid?

Ms. ROSS. Of course.

Mr. CAMPBELL. Would the gentleman yield 1 minute?

Mr. PEASE. Surely.

Mr. CAMPBELL. Could you provide us for the record, please, the average and the maximum for the family of four incorporating all of these things so that we can see what the income picture is for the family of four, or do you have that?

Ms. ROSS. Well, it is possible to do it for food stamps because it is relatively easy to look at the AFDC grant and see approximately what food stamp grant would be. But housing assistance is a very difficult, complex area because of individual section 8 and section 202 housing. We could provide the maximum benefit for you and then simply say these other benefits should be taken into consideration, and they are worth approximately——

Mr. CAMPBELL. Whatever you can provide. Thank you.

[The following was subsequently received:]

October 1982 benefits for AFDC family of four

Benefit type	*Amount*
AFDC payment	$398
Food stamp benefit	159
Medicaid	162
Housing subsidy	225
Energy assistance	40
Total	$984

AFDC PAYMENT

The $398 payment represents the fiscal year 1982 national average maximum payment to a family of four with no other countable income.

FOOD STAMP BENEFIT

The $159 benefit represents the fiscal year 1982 minimum benefit that a family of four with the above AFDC payment would receive. The Food Stamp benefit could be

higher if the family had excess childcare costs, shelter costs, or an earned income deduction. The maximum that a family of four could receive is 253. Approximately 80 percent of the AFDC recipients also receive Food Stamp Benefits.

MEDICAID

The $162 benefit represents the fiscal year 1982 average Medicaid cost for an AFDC family of four comprised of one adult and three dependent children. The actual benefits to a family would depend on the extent of medical usage. All AFDC recipients are categorically eligible for Medicaid.

HOUSING SUBSIDY

The $225 subsidy represents the fiscal year 1982 average subsidy for AFDC recipients in federally subsidized housing. Approximately 20 percent of the AFDC caseload reside in federally subsidized housing.

ENERGY ASSISTANCE

The $40 benefit represents the fiscal year 1982 average benefit for AFDC recipients during the 4-6 winter months that such assistance would be given. In addition, some States have cooling assistance. The current available data show that about 25 percent of the families which received AFDC sometime during calendar 1981 also received Energy Assistance during the period.

Attached are the AFDC and Food Stamp benefits for a family of four by State.

AFDC AND FOOD STAMP PAYMENTS TO A FAMILY OF FOUR WITH NO OTHER INCOME FOR OCTOBER 1982

State	AFDC payment	Food stamp payment	Combined payment
Alabama	148	234	382
Alaska	682	204	886
Arizona	282	194	476
Arkansas	164	229	393
California	601	98	699
Colorado	387	162	549
Connecticut	502	128	630
Delaware	312	185	497
District of Columbia	366	169	535
Florida	249	204	453
Georgia	229	210	439
Hawaii	546	225	771
Idaho	345	175	520
Illinois	368	168	536
Indiana	315	184	499
Iowa	419	153	572
Kansas	385	163	548
Kentucky	235	208	443
Louisiana	234	208	442
Maine	408	156	564
Maryland	355	172	527
Massachusetts	444	145	589
Michigan	441	146	587
Minnesota	520	123	643
Mississippi	120	243	363
Missouri	305	187	492
Montana	425	151	576
Nebraska	420	153	573
Nevada	324	181	505
New Hampshire	392	161	553
New Jersey	414	154	568
New Mexico	281	194	475
New York	515	124	639
North Carolina	221	212	433
North Dakota	437	147	584

AFDC AND FOOD STAMP PAYMENTS TO A FAMILY OF FOUR WITH NO OTHER INCOME FOR OCTOBER 1982—Continued

State	AFDC payment	Food stamp payment	Combined payment
Ohio	327	180	507
Oklahoma	349	174	523
Oregon	409	156	565
Pennsylvania	401	158	559
Rhode Island	420	153	573
South Carolina	163	230	393
South Dakota	361	170	531
Tennessee	154	232	386
Texas	141	236	377
Utah	455	142	597
Vermont	581	104	685
Virginia	305	187	492
Washington	531	119	650
West Virginia	249	204	453
Wisconsin	600	99	699
Wyoming	390	162	552

Mr. PEASE. I would be very happy to have that as well. I think what we badly need is to get a fairly accurate picture of the economic circumstances of AFDC families.

It is easy enough to plead on the floor for people who are only getting $3600 a year; if that is not an accurate reflection of what they are receiving, then we ought to know what the accurate reflection is.

Thank you very much.

Chairman FORD. Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Chairman.

Mrs. Ross, thank you for your testimony. Like the gentleman from South Carolina, I am a little concerned that you didn't spend a little more time and effort on remarks on his bill, H.R. 2563.

It seems to me that what he is getting at is a problem that we are all talking about here. We have got a myriad of programs, food stamps, energy stamps, house stamps, medical stamps, and welfare stamps.

The gentleman is trying at least to nudge us toward trial of consolidation. I really hope that your department will take a look at that bill and if you are concerned by the cost, as is suggested, that you might have some sort of an alternative for us to look at.

But, since your testimony was mostly on this study, I am informed that this study began in 1980 or at least the analysis of the record, is that correct?

Ms. Ross. The analysis of the record did. They did go back to 1980 because the form was looking at 1 year prior to the enactment of OBRA which means they would have had to go back to 1980.

The study was not actually conducted until 1982 and 1983.

Mr. FRENZEL. And the study confined itself to the records themselves?

Ms. Ross. Yes, it did. Actual case reviews were performed.

Mr. FRENZEL. And what you got out of that study was that as far as you could tell, what the Congress intended actually occurred by

reason of the passage of the Omnibus Reconciliation Act of that year, is that correct?

Ms. Ross. Yes, sir, that is correct.

Mr. FRENZEL. That is what I thought I understood from your testimony.

I am informed that the chairman of this committee and its ranking member have requested a more careful study of the GAO, which is supposed to include an 18-month period, and include interviews, and so forth, to be completed in February, and that that would look more closely at what happened to the medical needs of the clientele, and what happened to the day care needs of the clientele, and so forth.

Do you know anything about that study at all?

Ms. Ross. We did know that GAO was undertaking the study and in fact, when they began their study, they came and talked to us. I think it was going to take them about a year or a year and a half to do this study.

Mr. FRENZEL. That is correct.

Would you think it would be wise for this committee to receive the results of its study before launching on a review of what we did previously?

Ms. Ross. Well, sir, I believe that until there is another study which shows something perhaps substantially different from ours, that we, of course, would prefer to see the provisions remain intact. We believe that the provisions are accomplishing what they were intended to accomplish, and that the only statistically valid study that is out there right now affirms that fact.

Mr. FRENZEL. In my judgment too. Mr. Chairman, I yield the balance of my time.

Mr. STARK. If the gentleman will yield, isn't that a little bit like letting the safecracker set the combination

Mr. FRENZEL. Is our chairman the safecracker?

Mr. STARK. No, I mean to allow the administration's study to stand without being questioned.

Mr. FRENZEL. Unless the gentleman has some other studies.

Mr. STARK. That is what we have asked for.

Mr. FRENZEL. They have conducted a study which is in process, which we hope will give us more complete and more detailed information because it is supposed to be very complete, as I understand it. It isn't going to be completed until February.

Chairman FORD. Let the record reflect that it is the other chairman, the full committee chairman and not this chairman.

Mr. FRENZEL. I thought that the chairman wouldn't be willing to move without benefit of the full committee chairman's requested report, but I still think it would be the better part of valor to see those figures.

I thank the witness for her testimony and I yield back the balance of my time.

Chairman FORD. Mr. Hance.

Mr. HANCE. Thank you, Mr. Chairman. I appreciate the opportunity to ask some questions. I think one of the things the committee has to look at is that individuals get disregards so high these people that are making substantial amounts of money are still receiving AFDC benefits. But on the other hand, if you completely

eliminate the disregards, then you get in a position where there is no encouragement for someone to get a job.

One of the things that happened in 1981 that I opposed in the committee and that the administration strongly supported was the income limitation of 150 percent of the States standard of need. It was my feeling that we should have something that would not be so subjective such as a percent of the poverty level or something like that.

You have certain States where, using the State standard of need, an individual can make $15,000 or $16,000 and still get benefits. The people in my district would be very surprised to find out that someone could be making $14,000 or $15,000 and still receive benefits. Each State sets their own standard of need.

Have you all considered looking at going to some more objective standard such as a percent of the poverty level?

Ms. Ross. No, sir, to my knowledge we have not.

In fact, this administration has supported the fact that the AFDC program does allow for States to set the needs standard and the payments standard. We believe that they are in the best position to make the assessment of what the needs of their population are, taking into consideration such things as the cost of living in the area and those kinds of variations.

Mr. HANCE. It seems like that would run contrary to the administration's philosophy that the higher the standard of need, then the more the benefit for that State, the more encouragement for participation in the program.

Ms. Ross. I think that our concern with using some percent of poverty, for example, would be the fact that the poverty standard does not take into consideration the variations from area to area. It may not cost as much to live in a rural area as it does in an urban area. Some areas of the Southeast or Southwest are less expensive than, for example, the Northeast corridor. So we would have a problem with using, in effect, a national poverty standard.

Mr. HANCE. I think, however, that this is one area that we need to look at definitely.

Thank you.

Thank you, Mr. Chairman.

Mr. PEASE. Mr. Chairman.

Chairman FORD. Mr. Pease.

Mr. PEASE. Could I ask one more question? I should know the answer to this question and I don't. I hope you will forgive me.

Do we still have the situation where people trigger off medicaid when they leave the AFDC rolls?

In other words, if a person earns too much and is taken off the AFDC rolls as a result, is that person's medicaid benefits terminated?

Ms. Ross. Unless a State has a medically needy program, if I understand the question, AFDC eligibility is automatic in terms of becoming eligible for medicaid. We do allow for a 4-month extension of medicaid once a person goes off the AFDC rolls for work purposes.

Beyond that 4 month extension, the family would no longer be eligible for medicaid unless the State had a medically needy pro-

gram and the family would spend-down to the levels to trigger medicaid eligibility.

Mr. PEASE. How many States have medically needy programs?

Ms. ROSS. I think it is about 34 States.

Mr. PEASE. Mr. Chairman, I always thought one of the most serious problems with people triggering off of AFDC was the loss of medicaid coverage and medical benefits.

If a person gets a job in the private sector and earns a minimum wage job, if the wages are roughly equivalent to what the person received on medicaid, the family is infinitely worse off if it has to pay its own medical bills.

Have you given any thought to any Federal solution to that problem?

Ms. ROSS. The 4-month medicaid extension allowed once the family becomes ineligible for AFDC is a step in that direction. They have not been paying for——

Mr. HANCE. Would the gentleman yield?

There are some businesses where an individual has to work for a certain amount of time before he or she can qualify for health benefits. What happens to someone who has to work for 6 or more months before they can qualify for health benefits with the company and then they are cut off from AFDC benefits after 4 months? Have you all looked at that?

Ms. ROSS. No, sir, we have not.

Mr. HANCE. I would think that is one area that the committee needs to look at.

Chairman FORD. The committee would like to thank you very much, Ms. Ross, for responding to the questions of the committee. Thank you very much.

Ms. ROSS. Thank you very much.

Chairman FORD. The committee would like to call up the first panel.

For the National Council of State Public Welfare Administrators we have Patricia C. Schramm, vice chair, and secretary, Delaware Department of Health and Social Services; Joseph Goldberg, secretary, New Mexico Department of Human Services; Stephen Heintz, commissioner, Connecticut Department of Income Maintenance; Merle Springer, executive deputy commissioner, Texas Department of Human Resources; and James A. Krauskopf, commissioner, New York City Human Resources Administration for the National Association of Counties.

Let the panel start to my right. Let me identify who is who so the Chair will know.

Mr. HEINTZ. I am Stephen Heintz, commissioner of the Department of Income Maintenance in Connecticut.

Mr. SCHRAMM. Patricia Schramm.

Chairman FORD. Why don't we go in the order that I call the names out?

You will be first and then Mr. Goldberg.

Mr. GOLDBERG. I am Joseph Goldberg and I am the secretary of the Department of Human Services in the State of New Mexico.

Mr. SPRINGER. I am Merle Springer, executive deputy comissioner for the Department of Human Resources of Texas.

Mr. KRAUSKOPF. I am James Krauskopf, commissioner, New York City Human Resources Administration.

Chairman FORD. Mr. Heintz, why don't we go in that order? You will be third.

You may proceed, Ms. Schramm.

STATEMENT OF PATRICIA C. SCHRAMM, VICE CHAIR, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS, AND SECRETARY, DELAWARE DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Ms. SCHRAMM. My name is Patricia Schramm and I am secretary of the Delaware Department of Health and Social Services.

I also serve as vice chair of APWA's National Council of State Public Welfare Administrators, on whose behalf I am testifying today.

The Council represents Governors' appointees and other State executives responsible for managing the assortment of human service programs that are the subject of today's hearings.

I will begin our testimony by discussing our views on H.R. 2563, Representative Campbell's proposal for integrated human service delivery demonstrations as well as our recommendations on social and child welfare services.

Also representing the council are two of my colleagues: Stephen Heintz of Connecticut, who will describe the Council's plan for fine-tuning the AFDC program and comment on measures proposed by Congressmen Ford and Stark, and Joseph Goldberg of New Mexico, who will discuss the AFDC quality control system.

Also appearing with us today are two other fellow human service administrators: Merle Springer representing the State of Texas and James Krauskopf of the New York City Human Resources Administration.

H.R. 2563, the integrated service delivery legislation is a bill which has caught the attention of nearly every State and local human service executive. Like you, we are committed to improving welfare program operations so that our limited Federal and State resources are spent wisely. We believe an important step has been taken in this direction by Representative Campbell and other members of this subcommittee who have sponsored legislation for a limited demonstration of a one-stop delivery system that could eliminate fragmentation, save administrative dollars, and help people to obtain the services and benefits they need.

Despite the enthusiasm with which we have greeted the possibility of such federally sponsored demonstrations, we would be remiss not to add a word of caution. The task before us in H.R. 2563, while it sounds simple in concept, will require a Herculean effort by the States and localities chosen as demonstration sites. To be sure, these projects would give us added flexibility and authority to go many steps further than current law and regulations allow, but we must be careful not to view H.R. 2563 as a panacea for all our problems. It is a step in the right direction and, we hope, one that can give us valuable information about what is needed at the Federal, State, and local levels to make service integration work.

With our firm support and this caveat noted, I would like to make several specific comments and recommendations on H.R. 2563.

If any measure of success is to be achieved by the one-stop delivery test, the demonstrations must have very broad Federal support.

Currently program consolidation is hampered by the differing directions and priorities of the various Federal agencies responsible for these programs. To help solve this problem, we suggest that an independent entity, with close ties to State and local human service agencies be identified to monitor the projects, help to mediate any disputes between the Federal agencies, and preserve the knowledge gained in implementing the demonstrations so that other States and localities can capitalize on the experiences of the pilot projects.

Second, demonstration sites should be permitted but not required to implement all of the identified service integration activities.

If there is one thing we have learned from previous more limited demonstrations of this sort, it is that there is great variation among the States.

Let me give you an example. In a small State like Delaware, it might be useful to consolidate agency locations since they will remain within reasonable access to recipients, and we have done a lot of that in Delaware. In a large western State, where the population is widely dispersed, a better approach may be to co-locate only some services and decentralize others to bring them closer to their frequent users. Even in Delaware, we have found it desirable to set up some small special purpose offices for routine day to day services.

Third, a careful evaluation of the demonstrations must be conducted. Given the broad interest in this demonstration and the valuable learning experience that will no doubt result, it is essential that a thorough assessment be made of the pilot project experience. In addition to judging the relative success of each project, the evaluation should highlight any Federal law and regulation changes that seem warranted to promote service integration in the future.

Fourth, the law should establish a timetable for application, site selection and decisionmaking under the pilot projects.

This should include setting timeframes for decisions on waiver requests and, once sites are selected, a period for State planning, with some Federal funding, should be allowed. Our experience tells us that to make the kind of comprehensive change envisioned by H.R. 2563, a planning period of 18 months would be necessary, especially if computers must be reprogramed. Further, once the planning period ends, sites should be permitted to implement their projects in stages, thus assuring a smooth transition to the demonstration.

Last, States should be expressly permitted to establish common AFDC, food stamp, medicaid and other program definitions as part of the pilot projects. H.R. 2563 now permits the development of only a common vernacular for the programs in a demonstration. It fails to take the next—and in our view essential—step of permitting common income and resource definitions, budgeting procedures and eligibility determination processes. In the long run, this

may do more to promote understanding of program rules and ease administrative burden than common terminology can.

I would like to move now to a brief discussion of social and child welfare services.

State administrators believe that social services are an integral part of the larger human service system. They protect and care for the vulnerable and, if provided at times of crisis, can prevent the need for more expensive intervention in the future.

Social service agencies across the country are faced with an increasing number of social problems, many of which are linked, at least in part, to the economic recession. Unfortunately, State treasuries, ravaged by the Nation's economic tailspin in the past few years, simply do not have the money required to deal with these complex problems. The 20-percent reduction in Federal title XX funds enacted in fiscal year 1982 placed even more pressure on already over-stressed State and local budgets.

We therefore urge, Mr. Chairman, that the Congress increase the funds available to the social service block grant as proposed in H.R. 2354. These 3 year increases are necessary if we are to begin the social equivalent of the path to economic recovery.

We oppose the administration's proposals to combine the social services and community services block grants and to consolidate child welfare services and training they would simply give us the flexibility to choose what programs to eliminate.

I would like to also mention the child welfare services, foster care, and adoption assistance programs.

I understand that later this summer you plan hearings on Public Law 96-272, the Adoption Assistance and Child Welfare Act of 1980, so I will not go into great detail today on our views. You should know, however, that 3 years of experience with Public Law 96-272 has shown us several areas where we believe the law should be improved. Our written testimony identifies these in detail. Merle Springer from Texas will comment further on the title XX funding increase, as well as Public Law 96-272.

Finally, we know that the administration just last week proposed a new approach to financing the child support enforcement program. We have not yet had an opportunity to thoroughly evaluate the proposal, but hope to communicate our views in writing to you within the next several days.

That concludes my testimony, Mr. Chairman. Thank you for the opportunity to appear before you today.

I would be happy to answer any questions you may have.

Chairman FORD. Thank you very much.

[The statement of Ms. Schramm follows:]

STATEMENT OF PATRICIA C. SCHRAMM, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

SUMMARY

The nation's welfare administrators believe that H.R. 2563 takes an important step toward improving the operation of welfare programs while assuring that recipients of these programs find them easily accessible. Recognizing that these integrated service delivery tests will not solve all of the problems with the nation's human service programs, the administrators believe that the demonstrations can provide

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valuable information about what is needed at the federal, state and local levels to make service integration work. Specifically, the administrators comment that:

To be successful the demonstrations must have broad federal support with close cooperation between the various federal agencies. An independent third party, with close ties to state and local human service agencies, should monitor the projects and help to mediate disputes.

Demonstration sites should be permitted but not required to implement all of the identified service integration activities. This will allow them to tailor their projects to the needs and conditions of the state or locality.

A careful evaluation of the demonstrations must be conducted.

The law should establish a timetable for application, site selection and decision making under the pilot projects.

Demonstration sites should have the option of continuing a successful project beyond the initial three years.

Terms used in the demonstration should be clearly defined.

States should be expressly permitted to establish common AFDC, food stamp, Medicaid and other program definitions as part of the pilot projects.

State welfare administrators also endorse Rep. Ford's proposal for increasing funds for the social services block grant and call for changes in Public Law 96-272 (the Adoption Assistance and Child Welfare Act of 1980) that will enable states to more efficiently secure permanent homes for children.

STATEMENT

My name is Patricia Schramm and I am Secretary of the Delaware Department of Health and Social Services. I also serve as vice-chair of the American Public Welfare Association's National Council of State Public Welfare Administrators on whose behalf I am testifying today. The Council is comprised of the gubernatorial appointees and other state executives responsible for managing the assortment of human service programs which are the subject of today's hearings. I will begin our testimony by discussing with you the Council's views on H.R. 2563, Rep. Carroll Campbell's (R-SC) proposal for integrated human service delivery demonstrations, as well as our recommendations on social and child welfare services. With me are two of my colleagues: Stephen Heintz, Commissioner of the Connecticut Department of Income Maintenance, who will describe the Council's plan for fine-tuning the aid to families with dependent children (AFDC) program and comment on the measures proposed by Congressmen Ford (D-TN) and Stark (D-CA); and Joseph Goldberg, Secretary of the New Mexico Human Services Department, who will discuss the AFDC quality control system.

Integrated service delivery legislation

I will begin with H.R. 2563, the integrated service delivery legislation, a bill which has caught the attention of nearly every state and local human service executive. Like the Congress, state administrators are committed to improving the operation of welfare programs to ensure that our limited federal and state resources are spent wisely. We believe an important step has been taken in this direction by Rep. Campbell and other members of this subcommittee by introducing a bill that would allow a limited number of states and localities to demonstrate integrated service delivery. H.R. 2563 would permit agencies like mine to mesh, on a trial basis, the requirements, procedures and services of a variety of human service programs. The purpose of these demonstrations would be to set up a "one-stop" delivery system that could eliminate fragmentation across programs, thereby saving administrative costs and assuring recipients access to the services and benefits for which they may be eligible.

Despite the enthusiasm with which we have greeted the possibility of such federally sponsored demonstrations, we would be remiss not to add a word of caution. The task before us in H.R. 2563, while it sounds simple in concept, will require a herculean effort by the states and localities chosen as demonstration sites. In my own small state of Delaware, where we have the good fortune of having a large number of the human service programs organized under a single administrative umbrella, it has taken several years of concentrated effort to improve the coordination, administration and delivery of these services—just within current federal laws and regulations. The present free-standing nature of these programs has evolved over many years, due at least in part, to the differing interests of the separate congressional committees which have jurisdiction over them and the array of federal agencies that supervise them. These are facts of life which H.R. 2563 does not address.

To be sure, the demonstration would give us added flexibility and authority to go many steps further, but we must be careful not to view H.R. 2563 as a panacea for all of our problems. It is a step in the right direction and, we hope, one that can give us valuable information about what is needed at the federal, state and local levels to make service integration work. I am sure my colleagues in Florida, who have conducted what is probably the largest state effort of this kind, would echo this view.

With our firm support and these caveats noted, I would like to proceed to our specific comments and recommendations on H.R. 2563.

The demonstrations must have broad Federal support.—This is critical if any measure of success is to be achieved by the "one-stop" service delivery test. There is no doubt in my mind that every human service director in the country has a long list of examples of the difficulties he or she has encountered when attempting to coordinate these programs. The most common illustration is the longstanding difference in AFDC and food stamp rules, two programs which in large measure serve identical recipient populations. But there are other examples as well, such as trying to coordinate community service, low-income energy and housing programs or efforts to make the new recipient monthly reporting and retrospective budgeting requirements complimentary for AFDC, food stamps and Medicaid.

A major barrier to program consolidation is the differing directions and priorities of the federal agencies responsible for these programs. We can offer at least two suggestions for resolving this problem. The first is to borrow a term and practice common to the European social welfare system and require that an "ombudsman" be established to monitor and advocate on behalf of the demonstration sites. The ombudsman should be an independent entity capable of: (1) keeping demonstration sites (and other interested agencies) informed on the progress of the pilot projects; (2) monitoring the status of any waiver requests; (3) helping to mediate any disputes between the federal agencies; and (4) preserving the knowledge gained in implementing the demonstrations so that other states and localities can avoid the pitfalls and capitalize on the experiences of the pilot projects. It may also be desirable to establish one federal agency to resolve interdepartmental differences within specified timeframes. Further, we would recommend that the Office of Management and Budget be kept informed of the demonstration activities.

Demonstration sites should be permitted but not required to implement all of the identified service integration activities.—H.R. 2563 identifies nine specific activities that are to be part of the demonstration. Sites would: (1) use commonly understood terms for all human service programs involved; (2) establish a single family profile; (3) develop a resource directory that describes all of the services available and how to obtain them; (4) use a unified budget, budgeting process and accounting system for the agency; (5) establish a single planning, needs assessment and evaluation system; (6) consolidate agency locations and transportation services; (7) use standard purchase-of-service procedures; (8) create communications linkages across agency lines; and (9) develop, to the extent feasible, uniform application and eligibility determination procedures. Any other activities necessary to test the "one-stop" concept would also be permitted.

If there is one thing we have learned from previous more limited demonstrations of this sort it is that there is tremendous variation among the states. What is a problem in one state is not in another. Some states have already worked to implement some of these components. In others, certain required activities may not make sense. Let me give you an example. In a geographically small state like Delaware it might be useful to consolidate agency locations since they will remain within reasonable access of recipients. In a large western state, where the population is widely dispersed, a better approach may be to co-locate only some services (perhaps those that are needed less frequently) and decentralize others to bring them closer to their primary users. Even in Delaware we have found it desirable to set up some small special purpose offices for routine day-to-day services.

Because of this diversity among states and localities we recommend that demonstration sites be permitted to choose from among the identified activities. This will allow them to tailor their projects to the needs and conditions of their respective state and local areas. With this added flexibility, it would also be necessary to expand the number of statewide projects so that states could test several different variations of the allowable activities. An alternative to this would be to authorize two statewide demonstrations of the full scope envisioned in H.R. 2563 but permit other states to test less comprehensive approaches. Granting states this added flexibility will not detract in any way from the "one-stop" delivery concept that is being tested. Rather, it is our view that this change would make the pilots more realistic and manageable, helping to assure their success.

A careful evaluation of the demonstrations must be conducted.—Given the broad interest in this demonstration and the valuable learning experience that will no doubt result, it is essential that a thorough assessment be made of the pilot project experience. In addition to judging the relative success of each project, the valuation should highlight any federal law and regulation changes that seem warranted to promote service integration in the future.

The law should establish a timetable for application, site selection and decision making under the pilot projects.—In its current form, H.R. 2563 gives states 18 months from enactment to apply for the demonstration. There are no such timetables for the HHS decisions on site selection (presumbably HHS would have to wait until after the 18 months had expired before selecting the best qualified states) and the assortment of waiver requests that would be necessary. Certain of these deadlines should be established in law. An approach that might work well would be to require a general decriptive proposal from interested states in advance of the proposed 18-month period, with site selection based on these proposals (perhaps this would include conditional approval of more than the required number of sites, assuming that all would not be able to carry out the actual project).

Once sites are selected, a period for state planning, with federal funding, should be established. Our experience tells us that to make the kind of comprehensive change required by H.R. 2563, a planning period of 18-months would be necessary—especially if computers must be reprogrammed. At the end of the planning period, the three year demonstration would begin and, to assure a rational transition to the demonstration, states should be permitted to implement their projects in stages.

Demonstration sites should have the option of continuing a successful project beyond the initial three years.—Up to a two year extension of projects will allow sufficient time for Congress to respond to the knowledge gained by the demonstrations—changing any federal laws to promote integrated service delivery—and avoid immediate dismantling of the pilots when such statutory changes seem prudent. Absent any changes, this will also accommodate an orderly transition to prior law provisions. Clearly, this recommendation presumes an evaluation component that examines permanent alterations that might be needed in federal statutes.

Terms used in the legislation should be clearly defined.—To prevent misunderstandings about the scope and intent of the projects, the law should specify terms such as what constitutes financial savings and cost-effectiveness for the demonstrations and which measures should be used to determine whether services improved. This will also help HHS to carry out its oversight and site selection responsibilities. Taking the time—in advance of the demonstrations—to clarify the specific intent will avoid unnecessary delays and confusion later.

States should be expressly permitted to establish common AFDC, food stamp, Medicaid and other program definitions as part of the pilot projects.—H.R. 2563 now permits only the development of a common vernacular for the programs in a demonstration, so that they may be more easily understood by recipients and the public at large. It fails to take the next—and in our view equally essential—step of permitting common income and resource definitions, budgeting procedures and eligibility determination processes. In the long run, this may do more to promote understanding of program rules and ease administrative burden than common terminology can. Our recommendation is to permit states to select any one of the statutory program definitions for use in all these programs without requiring that extra waivers be granted from the respective federal agencies. There are those who will suggest that this will increase the cost of the demonstrations. We doubt this and, to the contrary, believe the administrative savings will offset any added costs that may result in the demonstration projects.

Mr. Chairman, I have offered these suggestions in the interest of making a good idea better. We look forward to working with you and your colleagues in the months ahead as you make decisions on H.R. 2563.

I would like to now move to a discusison of social and child welfare services.

Social services

State administrators have long held the belief that social services are an integral part of the larger human services system. The Title XX social services block grant in many senses forms the linchpin that enables this larger system to operate effectively. Because social services deal with the most complex of human problems and often require intervention at critical points of crisis in the life of an individual or family, they are also among the most difficult and challenging of the human services. The provision of social services entails protecting and caring for those who are helpless or vulnerable and, if provided at times of crisis, can prevent the need for more expensive intervention in the future.

Social services provided through Title XX range from day care for a small child, to counseling for an abusive parent, to training for a disabled adult, to homemaker or home-health services for a frail, elderly person. These services programs provide support to the truly needy and assistance to others to become or to remain self-supporting and independent. The action by Congress in 1974 to create Title XX as a separate social services entitlement program within the Social Security Act was a recognition of the value of service programs in meeting the many and complex needs of families and individuals in modern society.

Social services agencies across the country are faced with an increasing number of social problems, many of which are linked, at least in part, to the economic recession. Despite signs that the nation might be on a path to economic recovery, the problems persist. States are seeing increases in the abuse of children, spouses, and the elderly, as economic pressures faced by families continue. Homeless men, women and even intact families wander the streets of many of our communities. A cycle of poverty has appeared, as more and more children are born to unwed teenagers—a group whom studies have shown are likely to become abusive parents as well as welfare dependents.

Unfortunately, state treasuries, ravaged by the nation's economic tailspin the past few years, simply do not have the money required to effectively deal with these complex problems. The 20 percent reduction in Federal Title XX funds enacted in fiscal year 1982 placed even more pressure on already over-stressed state and local budgets.

We applaud Congress' willingness to recognize the urgency of the situation and to provide states, earlier this year, with additional Title XX funds to respond to some of these needs. This one-time infusion of funds made available through the "Emergency Jobs" bill, Public Law 98-8, provided states some of the additional revenue necessary to address human needs. However, we do not believe the difficulties confronting our agencies across the country are one-time problems. There are still many needs to be met and too few dollars available to meet them.

Mr. Chairman, we, therefore, urge Congress to favorably consider the provision in H.R. 2354 which would increase the funds available for the social services block grant. The funding levels included in H.R. 2354—$2.8 billion in fiscal year 1984, $2.9 billion in fiscal year 1985, $3.0 billion in fiscal year 1986—are necessary if we are to begin on the social equivalent of the path to economic recovery.

Title XX as originally enacted provided states the opportunity—within established national guidelines—to allocate social services resources according to their own priorities and the identified needs of their citizens. The Omnibus Budget Reconciliation Act of 1981 granted states even greater flexibility by amending Title XX and establishing the social services block grant. We believe this federal policy trend towards granting states greater discretion in this and other social services programs has been a positive one. We urge that the concept of increased administrative flexibility as embodied in the social services block grant and as proposed in H.R. 2563 be continued, and that this committee resist efforts to encroach on this flexibility.

We are concerned, Mr. Chairman, about what seems to be an attempt to link this increased flexibility with decreased budgets. As mentioned earlier, funding for the social services block grant in fiscal year 1982 was reduced to $2.4 billion, 20 percent below the previous years level for Title XX not considering inflation. In large part, the justification for the reduction was the increased administrative flexibility inherent in the block grant. While many states were able, through primarily administrative cutbacks and changes, to blunt somewhat the impact of this large reduction in social services money, the impact, nonetheless, was and still is hard-felt.

The President's fiscal year 1984 budget proposal contained additional measures that are presented as granting states greater administrative flexibility. The President's budget, for example, would eliminate the community services block grant (CSBG) and amend Title XX to give states the "flexibility" to use the social services block grant for activities currently funded under the CSBG. The President's fiscal year 1984 budget proposal would also eliminate the Title IV-B child welfare training program and give states the "flexibility" to use Title IV-B child welfare services funds to continue these training activities. In each case, there would be no increased funds available to provide these additional services. It appears that states would once again be given the flexibility to choose what programs to eliminate.

The administration's proposals are simply budget reductions in disguise. We urge the members of this committee to reject these and other such attempts to decrease the federal role in financing social services programs. Increased state and local decision making in social services programs is a realistic, effective federal policy that Congress should not allow to be confused with decreased federal commitment to social services needs.

Childrens' services

Mr. Chairman, I would at this point like to briefly discuss the child welfare services, foster care, and adoption assistance programs. I understand that later this summer you intend to hold hearings on Public Law 96-272, the Adoption Assistance and Child Welfare Act of 1980, so I will not go into great detail today on our views.

As you are aware, the National Council of State Public Welfare Administrators worked closely with this committee and its capable staff on the development of the legislation that eventually became Public Law 96-272. We worked actively to secure its passage during its four year journey through Congress. We supported its enactment and we continue to support the basic purpose and intent of the law. However, three years experience with the law enables us to identify several areas where we believe the law should be improved. On behalf of the public child welfare agencies charged with the responsibility for implementing the law, I would like to touch briefly on those changes which we think will better enable states to carry out the Public Law 96-272 mandate of securing permanent homes for children.

One of our recommended changes, Mr. Chairman, you have included in your bill, H.R. 2354. We support your proposal to make: permanent the authority in Public Law 96-272 that allows states to use Title IV-E funds for children placed voluntarily in foster care. This authority expires at the end of this fiscal year. Although few states have actually requested federal reimbursement under the temporary authority, many have indicated that were the provision permanent, they would likely participate due to the certainty of federal funds.

In addition we also propose the following revisions to Public Law 96-272:

Delete the requirement that effective October 1, 1983 courts determine that for each child removed from his home reasonable efforts were made to prevent removal and to return the child home.—If such a determination is not made in each case under the law as it now stands, the child involved is ineligible for the federal foster care program and consequently does not qualify for Medicaid. We support the requirement that states have in place preplacement preventive and reunification services, but we believe compliance with this requirement is adequately handled though other portions of the law and regulations.

Remove the prohibition against states spending Title IV-B (child welfare service) funds on adoption assistance payments in excess of the total amount expended for this purpose in fiscal year 1979.—This restriction works against the states in finding adoptive placements for children, which we doubt was Congress' intent in enacting the legislation.

Exclude the Title IV-B funds expended directly by Indian tribes when determining whether a state's expenditures for employment related day care, foster care, and adoption assistance under Title IV-B exceed the amount spent for these purposes in fiscal year 1979.—The law bars states from spending above the fiscal year 1979 level for these services. States, however, should not be penalized for expenditures by Indian tribes over which they exercise no control.

Repeal the requirement that states redetermine a child's eligibility for Title IV-E foster care every six months.—The redetermination requirement is a carryover from Title IV-A, the program under which foster care was financed until enactment of Title IV-E as part of Public Law 96-272. Redeterminations are a costly exercise in foster care, rarely producing a finding of ineligibility. Eliminating the provision would save federal money without a diminution in the integrity of Title IV-E.

Allow continuation of Medicaid during the period after a child is placed for adoption and before the adoption is finalized and the Title IV-E adoption subsidy begins.—Currently, a child who has been removed from foster care and for whom an adoption petition has been filed, does not qualify for Medicaid until an interlocutory decree is ordered or the final decree is issued, thus triggering the adoption assistance payment. In other words, the Medicaid coverage the child received while in foster care lapses when a child is placed in a new adoptive placement and does not begin again until adoption assistance begins. Some states are having to license preadoptive homes as foster care facilities, and pay the family the foster care rate, which is often higher than the adoption assistance payments, in order to preserve Medicaid coverage.

Thank you, Mr. Chairman for the opportunity to appear before you today, I am prepared to answer any question you may have.

Chairman FORD. Mr. Goldberg.

STATEMENT OF JOSEPH GOLDBERG, SECRETARY, NEW MEXICO DEPARTMENT OF HUMAN SERVICES, ON BEHALF OF THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

Mr. GOLDBERG. Thank you, Mr. Chairman.

My name is Joseph Goldberg. I am the secretary of the Department of Human Services in the State of New Mexico. I have held that job just briefly since the beginning of January of this year.

I appreciate the opportunity to testify before this committee this afternoon.

My testimony addresses not a specific piece of legislation before this subcommittee but, rather, my testimony is to alert, I hope, this committee, this subcommittee, to a problem that is currently facing the States.

The problem to which I refer is the problem that is generated by the imposition and threatened imposition of massive fiscal sanctions on the States arising from alleged errors occurring in the administration of the AFDC program specifically. Of course, these fiscal sanctions also occur in the medicaid program and in the food stamp program.

Currently the States have been informed that they face fiscal sanctions in the amount of $75 million for the AFDC program. Those fiscal sanctions apply to 28 States. Almost one-half of that sanction, approximately $35 million, is imposed upon the State of California. My State, the State of New Mexico, faces a sanction in the amount of $2.5 million, approximately, which is a massive sanction given the size of our program.

The States and State welfare administrators are firmly committed to preserving and improving the integrity of the AFDC program, and reducing error rates. It is my purpose this afternoon to inform this subcommittee that the imposition and threatened imposition of these fiscal sanctions will have the necessary effect of undermining the States' abilities to address the fiscal integrity and the programmatic integrity of these programs, specifically the AFDC program.

When the Tax Equity and Fiscal Responsibility Act in 1982 addressed the question of fiscal sanctions arising out of error rates, in the AFDC and other programs, the picture with respect to State government treasuries looked substantially different than it looks today. In fiscal year 1981, the States at the end of their fiscal years had a balance that approached $4 billion. At the end of fiscal year 1983, the fiscal year that ended for most States in July, you are talking about a balance in the amount of approximately $290 million.

You are talking about a $4 billion swing in the balances, the moneys available to the States.

If you look at the fiscal sanctions that the States presently face, that is sanctions arising from these error rates, you would find that if the States had to pay these sanctions, it would occupy, it would eat up approximately 40 percent of the entire amount of their budget balance at the end of the 1983 fiscal year. Those sanctions are going to have a devastating impact on the ability of the States

to do exactly what Congress wants, and exactly what States and the State welfare administrators want.

In her testimony this afternoon, Ms. Ross from the U.S. Department of Health and Human Services specifically addressed the very, very tight fiscal situations of the States, and addressed her Federal department's views as to what ought to happen in legislation, given the State's tight financial situation, and that financial situation is not going to get better this year, and the prognosis is that it is not going to get much better next year.

Well, while on the one hand noting our tight fiscal position, the U.S. Department of Health and Human Services is seeking to take $75 to $100 million from those States.

Only one thing can happen if those fiscal sanctions do in fact have to be paid. Either the State must cut benefits to these people, or the State's ability to make needed and desirable administrative changes in their programs are going to be severely impaired. The types of changes which the U.S. Department of Health and Human Services professes it would like to see happen, the types of changes that this Congress would like to see happen taken money.

If we are going to improve the administrative efficiency of our programs, and if we are going to preserve and increase the fiscal and programmatic integrity of the AFDC program, it is absolutely essential that the States invest moneys in the administration of these programs.

Yet the very, very limited State money that are available for paying these benefits and in some instances increasing these benefits, and most importantly to create the administrative structure necessary for preserving and increasing the integrity of these programs, that money won't be there if the States must pay.

In my State, as an example, if our State is required to pay $2.5 million to the Federal Government, arising from these alleged error rates, it will be impossible for us to make the administrative changes that we want to make, and it is clear that the U.S. Department of Health and Human Services wants to make and I believe this Congress wants to make, in order to improve the integrity of these programs. That is the major problem.

The sanctions themselves are based on a quality control system. The quality control system, largely imposed by the U.S. Department of Health and Human Services, upon which these massive sanctions are predicated, in our estimation does not yield the type of statistically reliable information that would give anyone a sense of confidence that you are placing fair and equitable sanctions on the States.

The States do not have and the State welfare administrators do not have a categorical opposition to sanctions arising from error rates. We recognize and we have been moving toward making these programs programmatically and fiscally secure. However, we do have very, very substantial reservations and problems about the quality control system upon which these sanctions are predicated.

First, the data upon which these sanctions are predicated are late and, in my estimation, basically talk about ancient history. The $2.5 million New Mexico sanction, the $75 million in sanctions nationwide that the welfare administrators presently face are based on data that are 18 to 24 months' old. What this means is

that the data, when we get them 18 to 24 months' late, do not provide for us any information upon which we can take corrective actions, upon which we can make sound management decisions, because they arise and come to us at such a very, very late date.

Sanctions that are punitive are not sanctions that will encourage us to take good corrective action and make sound management decisions. You can't make sound management decisions about ancient history. You look to make sound management decisions about current history and the future. The process in its current form does not do that.

Second, the data are unreliable. Before I took my position as an administrator, I was an attorney. I was an academic attorney. I was at the university and taught at the law school, but I used to represent welfare recipients and their disputes with my current department and with the U.S. Department of Health and Human Services.

When I saw the amount of the sanctions with which we were faced, I reviewed every one of those error cases to determine whether I agreed with the Federal Government that errors did, in fact, occur in that case.

I used as my standard what I thought was a legal standard: What would a court of law find? Of the 138 cases, I determined that it was probable that a court of law would find that 55 determinations of error were themselves erroneous, that a court of law would not agree that there were errors in 55 of those cases.

Mr. HANCE. Out of how many?

Mr. GOLDBERG. 138.

What this suggested to me is that the data themselves are grossly unreliable, and I think there are many reasons for that.

The third problem with the quality control system as we see it is that in the AFDC program, the determination of errors upon which these grave and substantial sanctions are based includes what we call technical errors.

As an example, a great number of the errors upon which the New Mexico sanction were based were errors because there was no social security number for the recipient in the file. It was called an enumeration error.

It was not because the client was not eligible in any substantive sense. It was not because the client was not disclosing income or that we had made an erroneous determination of income. It was just because at a very particular window in time, that file did not contain the social security number of the client. And for our State, we have several hundred thousand dollars' worth of sanctions that are predicated upon this type of technical enumeration error.

These difficulties with the quality control system itself suggest two things to me which I would like to bring to the subcommittee's attention.

First, the quality control system itself does not seem to me, as a new administrator, the type of system that I want to have as the bedrock of my management deficiencies.

Second, and most important, it does not seem the type of system that you would impose $100 million for this year and project into fiscal year 1987 over $750 million in fiscal sanctions.

Now, we are aware, when I assumed my responsibilities, I became aware that the U.S. Department of Health and Human Services was conducting a study of its own to determine the reliability of a national targeted error rate and the quality control system. That study, to my understanding, has been going on for several years. We have not received any copy of that study.

The States have not been provided with any information with respect to the U.S. Department of Health and Human Services' own internal evaluation. What we have received instead were notifications of $75 million worth of fiscal sanctions.

Our suggestion is that the U.S. Department of Health and Human Services should be directed to do a thorough review of the quality control system and that fiscal sanctions based upon a quality control system that has such substantial deficiencies, those fiscal sanctions be suspended until this Congress is satisfied that a quality control system will, in fact, yield the desired results—that is, efficiency in the management, program and fiscal integrity and fair and equitable sanctions throughout the States—that this Congress should satisfy itself of that, that that type of system is in place before the States are hit with massive and substantial fiscal sanctions, which will only have the effect of impairing their ability to do just what Congress wants to do and which I believe we want to do ourselves.

I think we have an identity of purpose. I think that, instead, the present system runs counter to those purposes.

Again, I thank you very much for the opportunity to address a problem that is not embodied in legislation presently before this subcommittee.

[The statement of Mr. Goldberg follows:]

STATEMENT OF JOSEPH GOLDBERG, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

SUMMARY

Mr. Goldberg will describe the problem that massive fiscal sanctions based on AFDC quality control data cause for states, cite some of the states' reasons for believing that sanctions are inappropriate and unnecessary and the need, given the clear inability of states to financially cope with these sanctions, for the Congress to act to alleviate their negative effects. The states recommend that:

Regulations implementing the sanction provisions of the Tax Equity and Fiscal Responsibility Act should be published as proposed rules to allow states and other interested parties to comment on them.

The Department of Health and Human Services should issue its major study of AFDC quality control.

DDHS (for AFDC) and USDA (for food stamps) should be directed by the Congress to modify the existing quality control system for income support programs taking into account the following considerations: that technical errors—which if corrected do not result in a mispayment—should be measured but not counted in determining error rates for sanction purposes; that different standards should be set for client and agency caused errors, since client errors are especially difficult to control; that in calculating error rates, differences among state socioeconomic conditions should be considered; and that a state's error rate should be at the lower end of the appropriate confidence interval, so that states are not penalized for errors that were not committed.

The current sanctions process should be suspended by the Congress until the above recommendations have been satisfactorily completed.

STATEMENT

Introduction

My name is Joseph Goldberg. I am Secretary of the Human Services Department of the State of New Mexico and am testifying today on behalf of the National Council of State Public Welfare Administrators. The Department which I direct supervises all federally related income support programs for the State, including Medicaid, Food Stamps, and Aid to Families with Dependent Children. It also directs a variety of social Services programs, including the Social Services and Community Services Block Grants. My purpose to day is to bring to your attention a particular problem and to propose solutions, with respect to the AFDC program and its implementation by the federal goverment, specifically the Department of Health and Human Services.

In a nutshell, the problem which I as a welfare administrator face, and which is shared to a very considerable degree by most of the states in the country, is to cope with the likely imposition of massive amounts of financial penalties for alleged overpayments or other inappropriate payments in the AFDC and other income support programs. These penalties would be difficult to absorb under normal circumstances; at the present time, they would be almost impossible to absorb without significant negative impacts on the clients of these programs, because of the extremely serious fiscal condition of almost all of the fifty states. What I hope to make you aware of today is the nature and extent of this problem, our reasons for believing that the sanctions are inappropriate and unnecessary, and the need, given the clear inability of states to cope with these sanctions, for the Congress to act to alleviate their negative effects.

The problem

During the past half year, the relevant federal agencies—the Department of Health and Human Services and for food stamps the Department of Agriculture—have notified the states of proposed sanctions, both retrospective and prospective, which would total over one hundred million dollars almost immediately and, by our best estimates, put states in jeopardy of fiscal penalties totalling about one and a half billion dollars over the next several years. Most of the dollar value of the penalties that could be imposed in the very near future involves the AFDC program, which falls within the jurisdiction of this subcommittee. The DHHS has notified 28 states of their liability for fiscal sanctions for the federal fiscal year 1981, which in the aggregate total 74 million dollars. Almost half of this total, or 35 million dollars, would be assessed against the State of California. Other states with large dollar obligations include Florida, Colorado, Hawaii, Kansas, Maryland, New Jersey, New Mexico, New York, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Washington—all of which have liabilities of more than a million dollars.

The states have many and serious problems with the proposed sanctions. In general, the states have problems with the process by which these liabilities were determined, especially the reliability and accuracy of the data which underlie them. The current quality control system, under which these penalties would be assessed, is in many respects inefficient and ineffective. We believe that it does not produce information in a timely enough fashion to permit either effective corrective action or an information base for management decisions. The system in question typically does not differentiate among different kinds and causes of errors, thus raising serious questions about the reliability of the data which are produced. And this means that the data on which the quality control system depends, and on which penalties are assessed, are inadequate and unreliable. The system also typically produces information years after events have occurred, and thus makes targeted corrective action almost impossible.

Our frustration with this system is compounded by the fact that we share the objectives of the quality control system. States do believe that errors must be minimized. We have a strong incentive, particularly in these times, to minimize errors, because state budgets are far tighter than the federal government's budget at the present time. Since between one-third and one-half of all AFDC expenditures are derived from state funds, unnecessary or inappropriate expenditures are a burden for states as well as the federal government. I want to assure you that states as well as the federal government want the AFDC program to operate efficiently and effectively. State performances in recent years in reducing error rates clearly prove their commitment to this objective.

Two other points should be mentioned. First, we are further frustrated because the proposed sanctions have generally not been handled in the normal way in which these kinds of actions have been brought to the attention of the states in the past.

DHHS seems now to be proceeding with interim final rules, which typically to do not involve prior public comment periods. New rules regarding the AFDC program, which are required in the near future, have not yet been made available in proposed form to the states for comment. This process is particularly inappropriate, we believe, when applied in such a way as to deprive states of funds. The federal government should be particularly sensitive to soliciting and carefully considering comments from states regarding rules that would apply fiscal penalties to states. DHHS has not done this with the regulations addressing Medicaid sanctions and thus far, we have no evidence that it will do so with the impending AFDC sanction regulations.

Secondly, we are frustrated that the sanctions are being proposed for implementation before a major DHHS study, which has been in process for four years, has been completed. This study was meant to review carefully the determination of a realistic and equitable national error rate and to investigate the weaknesses and strengths of the present quality control system, especially the cost-effectiveness of corrective actions. This study has not been made available, even on a draft basis, to the states for review; yet sanctions are being proposed without the states and Congress having the benefit of this study.

All the problems are exacerbated by the fact that the states are in the worst financial situation they have faced since the great depression. I need not relate to you want I am sure you know as representatives of various states about this situation. Suffice it to say that the National Governors' Association very recently issued a report on the fiscal situation of the states, as it does annually, and concluded that the state budget conditions were "grim". Governor Matheson of Utah, the Chairman of the National Governors' Association, recently concluded that "this is by far the bleakest evaluation of the state of the states we have ever seen. It is very clear to us that there is . . . serious hemorrhaging." By almost all estimates, the national recovery, which has just begun, even if it continues, will not reverse the situation. The result is that fiscal sanctions imposed on the states, given their lack of financial resources, would almost certainly either result in cuts in benefits to clients who otherwise should receive them, or cuts in administrative costs, which would almost certainly increase, rather than decrease, the states' ability to cut error rates and otherwise implement sound and efficient management changes. This presents state administrators and governors with a Hobson's choice that many of us believe would require decisions which work against the proper interest and objectives of these programs, which both the federal and state governments desire.

Conclusions and recommendations

This overview is necessarily very brief. I will turn now to a course of action which I believe would be a proper response to these recent federal actions on sanctions. I recommend, and I believe other states would join in this recommendation, that relevant federal agencies—specifically DHHS and USDA—should be directed by the Congress to modify the existing quality control system for income support programs, taking into account the following considerations: (1) that technical errors—errors, which if corrected, do not result in a mispayment—in these programs should be measured, as is now the case, but they should not be counted in determining error rates for sanction purposes; (2) that standards for client and agency-caused errors should be differentiated to reflect the reality that client-caused errors are particularly difficult to control effectively; (3) that in calculating state errors rates, differences among the states with respect to socio-economic conditions should be taken into account; and (4) that the final determination of a state's error rate should be at the lower end of the applicable confidence interval, so that states are not penalized for errors they have not committed.

Second, I believe that the process of modification of existing quality control programs as I have outlined should involve the preparation of a report by DHHS which would be submitted to and endorsed by the Congress after review and comment by the states. Finally, the current sanctions process, encompassing both retrospective and prospective sanctions, should be suspended by the Congress until the above recommendations have been satisfactorily completed.

The purpose of these recommendations is not to retreat from the goal of an effective quality control system, but to ensure continued progress in this important area. The existing process, if not addressed by Congress, will almost certainly result in a less efficient quality control program which imposes insupportable financial burdens on the states without significantly improving the administration of income support programs. Because of the imminence of possible major sanctions against the states and the extremely difficult situation states face from a budgetary point of view,

action by Congress regarding the quality control system in AFDC and other income support programs is essential.

I thank you for this opportunity to present to you this matter of real and substantial concern to the states.

Chairman FORD. Mr. Heintz.

STATEMENT OF STEPHEN HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, ON BEHALF OF THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

Mr. HEINTZ. Thank you very much, Mr. Chairman.

My name is Stephen Heintz, commissioner of the Connecticut Department of Income Maintenance. I am also testifying on behalf of the National Council of State Public Welfare Aministrators. In addition, I would like to take the opportunity to add some comments on behalf of the State of Connecticut in regard to monthly reporting and retrospective budgeting. We have submitted more detailed testimony to the subcommittee, and I plan to summarize that testimony.

On behalf of the APWA, the purpose of my testimony is to set forth to you a specific practical and fiscally prudent plan to fine-tune the Nation's basic welfare program, Aid to Families with Dependent Children.

Let me begin by saying we commend the initiatives taken by Congressmen Ford and Stark in introducing AFDC legislation which includes many of the ideas I will present to you today. However, as is always the case with the legislative process, there are other proposals we would like you to add and some we hope you will reconsider.

State administrators are motivated by the conviction that the fiscal problems plaguing all levels of government today must not be allowed to blind us from opportunities for effecting constructive change in the services and benefits that we provide to people in need. If major reform is not now possible, then let us achieve what progress we can within the resources available.

The need for AFDC reform cannot be disputed when one looks at the social problems facing the Nation. Despite a steady stream of budget cutting in the past 2 years, the AFDC rolls have risen by close to 200,000 cases since last June. The number of two-parent families receiving AFDC is almost 18 percent higher than it was last year, as workers exhaust their unemployment benefits. The costs incurred by State and local governments for general assistance have grown by perhaps as much as 20 percent since fiscal year 1981, according to our own survey of the States.

Our plan seeks to make the welfare system at least a bit more efficient, equitable, and reliable than it is now. Making progress a step at a time, though it may not satisfy anyone's desire to overhaul the so-called welfare mess in one fell swoop, is more politically realistic, bears an economical price tag, and may in the long run be the best way to sustain the Nation's commitment to meeting human need.

The State administrator's plan represents a composite consisting of, No. 1, some of the administration's fiscal 1984 proposals; No. 2, several amendments that have been offered by Members of Con-

gress this year; and No. 3, recommendations from State human service agencies. All told, we believe this package will provide long-term benefits that outweigh the modest net cost that may be required initially to put it into effect. Specifically, we call for legislation that would address the following objectives: First, to increase the ability of States to move welfare recipients into gainful employment; second, to expand educational and work opportunities for older children; third, to enhance the responsiveness of AFDC to real need; fourth, to make the administrative requirements of the AFDC and food stamp programs more compatible; and, fifth, to improve program efficiency through certain technical changes.

I will briefly summarize our specific proposals in connection with each of these objectives.

As you all know, the 1981 Reconciliation Act granted States three major options in the area of employment. The community work experience program, WIN program demonstrations, and work supplementation. The TEFRA legislation of 1982 added a fourth option allowing States to require job searches by AFDC applicants and recipients.

Many States have implemented one or more of these work options, but the jury is still out on the strengths and weaknesses of each of these approaches, because we do not yet have sufficient answers to questions about what techniques work best for whom. Acceptance of mandatory workfare and mandatory job search for AFDC and food stamp applicants would amount to little more than a leap of faith in the value of the work experiences gained, and would also result in high cost to the public with little benefit in return.

As an alternative to mandated work programs, we ask that you make the following changes in law.

First, allow States to operate demonstrations to test variations of the existing optional AFDC program for two-parent families in which one parent is unemployed. We would encourage changes which would allow States to help truly needy, intact families with temporary cash assistance, and would mandate stronger work incentives for these two-parent families to help the family breadwinner return to the labor force quickly.

Second, we support Chairman Ford's proposal to eliminate the 4-month limit on the availability of the work incentive disregard. This arbitrary limit bears no relationship to how long it may take a recipient to form an attachment to the work force and move off the welfare rolls without a loss of income. If total repeal of the limit is not feasible, we ask for more flexibility in applying this provision.

Third, when calculating AFDC eligibility and benefits, require that the disregard for day-care expenses be deducted last. Currently the higher a family's day-care expenses, the smaller its work incentive. By disregarding day care last, as Representative Stark has proposed, the work incentive will be applied equally to all employed recipients and no family will be unfairly disadvantaged when it pays for day care out of its own pocket rather than receiving it through title XX.

Fourth, permit States to require a parent whose youngest child is age 3 or above to participate in work or training whenever day care and Federal WIN funds are available.

As the Nation refocuses on the quality of education, AFDC program rules should encourage the development of children to help break what can become a cycle of intergenerational welfare dependency. In this regard, our plan includes two recommendations.

First, allow any full-time secondary school student to continue receiving AFDC through age 20. This change would make allowances for children who start their education late or who are held back in school.

Second, exclude children's earnings from the gross income eligibility limit of 150 percent of the standard of need. The current rule may very well dissuade children from developing an early attachment to the workforce.

I turn next to gaps in AFDC coverage. Constraints in existing law sometimes make the program less responsive than it should be to the needs of poor families. Some of our recommendations include making the monthly reporting and retrospective budgeting requirement an option. Because of the built-in delay in retrospective budgeting, awards cannot be adjusted to reflect new needs quickly.

Second, changing the AFDC filing unit to limit the circumstances under which family members with outside income can be excluded from AFDC unit.

Third, removing the restriction that limits the use of AFDC emergency assistance to a family to once a year and reimbursing States at the regular AFDC rates.

Fourth, allowing Federal funding to cover the needs of incapacitated or unemployed fathers when aiding a pregnant woman.

Fifth, pertaining to the gross income limit provision, to continue to exclude families with high incomes from participating in Aid to Families with Dependent Children.

Another major area of concern is the need to make AFDC and food stamps more administratively compatible. Unlike the Federal Government, States operate these two programs in tandem through the same administrative structure. Our case workers must master two sets of often inconsistent rules. This contributes to the potential for error and waste in both programs.

Our plan offers the following suggestions: allow demonstration projects to test common definitions in income budgeting procedures for AFDC, food stamps and medicaid. This would include establishing uniform application and eligibility determinations and consolidating program planning and evaluation.

Second, bring AFDC resource rules into line with food stamp rules as proposed by Representative Stark, by exempting burial plots, funeral arrangements and properties that a family is making a good faith effort to sell at a reasonable cost.

Third, we urge you adopt for AFDC the food stamp policy on strikers.

Fourth, we would urge that you change the $75 work expense disregard for AFDC recipients to the food stamp disregard of 18 percent of gross earnings. This would be significantly easier to administer and more responsive to the true costs of employment.

Fifth, remove the $25 per month cap on reimbursable expenses for workfare program participants. This cap is arbitrary and does not cover costs AFDC participants actually incur. We recommend adopting the food stamp workfare provisions to reimburse all reasonable expenses.

The APWA suggests also a number of technical changes that could simplify AFDC administration without adding to Federal cost: Eliminating the work or training registration requirement for pregnant women. When a family becomes ineligible due to the receipt of lump sum income, allow States to reinstate eligibility if the family's financial need increases. Exempt the earned income tax credit from countable income, as proposed by Mr. Stark, to relieve the administrative burden of estimating potential eligibility for the credit. Allow States to forego recoupment of overpayments when it is not cost effective to pursue collection.

In essence, this testimony presents a plan to make the AFDC program work better. It is a pragmatic approach to striking an appropriate balance among the main objectives of social policy: adequacy, fairness, compassion and efficiency.

The Nation's welfare administrators believe the proposals I have sketched here mesh well with the fiscal and political realities of the times while preserving the society's public commitment to a sound public welfare system. We hope you share this view.

In keeping with the goals of compassion for clients, I would like to add a few brief comments from a Connecticut perspective on a relatively new management tool, that being monthly reporting.

First I want to assure you that I am not here today to discredit monthly reporting. Monthly reporting is a valuable tool in supporting these areas. The point I want to make is that, monthly reporting is a valuable management tool, but it should not be viewed as the management tool.

As you know, States are very different and have very different problems. So it is with their AFDC programs. States experience different cases of error.

In our State, for example, 70 percent of our error is due to client misrepresentation of fact. Most of our clients are honest, but the very few who defraud the program cause the majority of our errors. Our management decision is that the best tools to attack our problems right now are direct client contact and various uses of collateral information sources to verify client statements, and we have targeted our limited resources to such efforts.

Will monthly reporting help us? Not necessarily. If someone is willing, I think in a face-to-face interview, to look you in the eye and make statements that misrepresent the facts, if he is willing to sit there in front of you and sign his name to an application document that also misrepresents the facts, do you think he will have any hesitation about doing the same on a monthly form that is merely mailed in?

But not only is monthly reporting's value questionable, its overwhelming costs divert our limited resources away from efforts that we think will help.

What does all of this look like from the States' perspective? Because of concern with error rates, two or three States have tried controlled experiments with monthly reporting. The latest reeval-

uations of their findings cast serious doubts on the results. And yet, because of concern over error rates, Congress has mandated that all States implement this unproven approach regardless of their particular types of problems. In effect, what we have is a nationwide pilot program. Monthly reporting is so draining on our resources that we will have to forego other approaches which may hold much more promise for our unique problem. In addition, as monthly reporting reduces our management options and ties our hands, States are also liable for sanctions if the idea does not work.

Our concerns, however, are not limited to quality control error rate alone. We are continually frustrated over inconsistencies between AFDC and food stamp Federal polic. as indicated previously today.

Monthly reporting rules are no exception. One single household must be constantly viewed from two different and often opposing perspectives.

The monthly reporting system has been designed in such a way that a client who experiences a decrease in earnings is forced to endure a period of significantly reduced income. Some States may feel forced to alleviate this unfair hardship with unmatched State funds. What are we asking of the vast majority of clients who are honest and eligible? We feel that many eligible households will lose benefits because they are unable to cope with the monthly reporting requirements.

State administrators need the flexibility of professional managers, the flexibility to be responsibe to the reality of these programs, to continually diagnose our problems and choose the corrective actions that seem right for our programs at the time. If you don't think we have the incentive to be good managers, remember there is always the threat of sanctions. And believe me, we feel threatened. But don't tie our hands and then punish us if we can't do the job. Either mandate management techniques or threaten sanctions, but not both. It just is not fair and it simply won't work.

We are not asking that you do away with monthly reporting—far from it. We are asking that you make it optional. As managers who want a full range of techniques to choose from, we want to be able to use the monthly reporting tool if and when it seems most effective.

We ask that you untie our hands. We ask that you consider making monthly reporting an option that we can consider.

Thank you for this opportunity to address the committee.

Chairman FORD. Thank you, Mr. Heintz.

[The prepared statements follow:]

STATEMENT OF STEPHEN B. HEINTZ, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

SUMMARY

The nation's welfare administrators propose to the Subcommittee on Public Assistance and Unemployment Compansation a plan for making needed improvements in the operation of the aid to families with dependent children (AFDC) program. Consisting of proposals drawn from a variety of sources, the plan represents a practical, fiscally prudent and politically feasible way to strengthen the nation's basic welfare program. If implemented, the plan would, among other things:

Remove the time limit on the earnings disregard provided as a work incentive to AFDC recipients who obtain employment.

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Eliminate the inequity that exists in reimbursing AFDC recipients for day care expenses.

To encourage work by welfare recipients, use the food stamp earnings disregard for work expenses when determining AFDC benefits.

To reduce welfare dependency, let states demonstrate variations of the current optional AFDC program for two-parent families in which a parent is unemployed.

Allow full-time high school students to continue receiving AFDC until they have had a reasonable opportunity to graduate.

Exclude the earnings of children when determining a family's AFDC eligibility.

Allow States to demonstrate integrated administration of the AFDC food stamp and Medicaid programs.

Eliminate counting the earned income tax credit when determining a family's AFDC benefit.

Make AFDC monthly reporting and retrospective budgeting a state option.

Require that an AFDC family be defined as the parent(s) and all minor related children.

STATEMENT

My name is Stephen Heintz and I am Commissioner of the Connecticut Department of Income Maintenance.

Today, I am testifying on behalf of the National Council of State Public Welfare Administrators, an affiliate of the American Public Welfare Association. The Council represents the gubernatorial appointees and other state executives responsible for the administration of many of the human service programs within the jurisdiction of the House Ways and Means Subcommittee on Public Assistance and Unemployment Compensation.

The purpose of my testimony is to set forth for you a specific, practical, and fiscally prudent plan to finetune the nation's basic welfare program: Aid to families with dependent children (AFDC). Let me begin by saying that we commend the initiatives taken by Congressmen Ford and Stark in introducing AFDC legislation which includes many of the ideas we will present to you today. However, as is always the case with the legislative process, there are other proposals we would like you to add and some we hope you will reconsider.

In developing our plan we have drawn from a variety of sources—including those of Congressman Stark and Ford and the administration's fiscal year 1984 budget recommendations—to construct a set of proposals that will strengthen the ability of the AFDC program to serve low-income families. The state administrators have been motivated by the conviction that the financial problems plaguing all levels of government today must not be allowed to blind us to the opportunities for effecting constructive, incremental change in the services and benefits that we provide to people in need. Those of us in public service must not be forced by the economic and political uncertainty of the time to retreat from pursuit of the responsibility with which the public has entrusted us. If major reform is not possible, then let us achieve what progress we can within the resources available.

The need for our plan, or something like it, cannot be disputed when one looks at the social problems facing the nation. Despite a steady stream of budget-cutting the past two years, the AFDC roles have risen by close to 200,000 cases since last June. The number of two-parent families receiving AFDC is almost 18 percent higher than it was last year, as workers exhaust their unemployment benefits. The costs incurred by state and local governments for general assistance have grown by perhaps as much as 20 percent since fiscal year 1981, according to our own survey of the states.

The state administrators' plan represents a composite consisting of: (1) some of the administration's fiscal year 1984 proposals, (2) amendments that have been offered by members of Congress this year, and (3) recommendations from the state human service agencies themselves. Given the deep cuts sustained by welfare programs in the past two years, state administrators cannot support many of the current administration suggestions for achieving further savings in AFDC. However, those of its proposals that would, in our judgment, increase equity in the treatment of recipients without creating undue hardship or that would help to streamline program operations have been included in our plan. Legislative initiatives that have been undertaken this year to offset some of the more serious ill effects of the policy changes made since 1981 have also been incorporated. Finally, we have ourselves developed a series of modest adjustments intended to enhance the workability of the AFDC program while recognizing the need for cost control and improved program

effectiveness. All told, we believe this package will provide long-term benefits that outweigh the modest net cost that may be required initially to put it into effect.

Specifically, we call for legislation that would address the following objectives: (1) increase the ability of states to move welfare recipients into gainful employment; (2) expand educational and work opportunities for older children; (3) enhance the responsiveness of AFDC to real need; (4) make the administrative requirements of the AFDC and food stamp programs more compatible; and (5) improve program efficiency through certain technical changes. I will discuss our specific proposals in connection with each of these objectives:

Increase the ability of States to move welfare recipients into gainful employment.—No issue in the operation of the AFDC program stirs more controversy than the work behavior of recipients. In a sense this is surprising, since the large majority of recipients are children below working age and mothers from whom we do not require a work effort outside the home. The popular conception of AFDC, however, seems to largely be shaped by the relatively small group who we expect to work and use the program as only the most temporary form of assistance. To help reduce this group's dependency on welfare, the 1981 reconciliation legislation granted states three new options: (1) the community work experience program (CWEP) or workfare, in which recipients are required to work in public or non-profit jobs for their benefits; (2) work incentive (WIN) program demonstrations, in which state welfare agencies have added flexibility in designing and operating their work programs for AFDC recipients; and (3) work supplementation, in which the AFDC benefit can be used as a partial wage subsidy. The Tax Equity and Fiscal Responsibility Act of 1982 added a fourth option, by allowing states to require job search of AFDC applicants and recipients.

States have taken advantage of these options in responsible and expeditious ways. Some 26 states have instituted workfare programs, most on a trial basis to determine whether this strategy can be carried out in a cost-effective manner. WIN demonstrations are underway or planned in 19 states. A few states are moving closer to implementing work supplementation programs, although restrictions in the federal law and regulations and HHS reticence to approve the necessary waivers continue to be a major impediment to more widespread adoption of this promising technique. Structured job search and job clubs for applicants are also proving to be a successful part of the employment strategy of 8 states, with an additional 12 considering using this approach.

Since the states are making rapid progress, and since we are still discovering the relative strengths and weaknesses of the different approaches to work for welfare recipients, it would be extremely shortsighted in our view to mandate any particular approach at this time. I am sure that most, if not all, of the other states testing these options would say the same thing. There are simply too many questions yet to be answered about the cost of operating these programs and the value of the work experience gained by participants to say definitively what can be achieved in the way of employability and welfare savings.

Until these tests are done and our questions about what techniques work best for whom are satisfactorily answered, acceptance on mandatory workfare will amount to little more than a leap of faith and high costs to the public with little benefit in return. Obviously, the same can be said for mandatory job search by AFDC and food stamp applicants, which the administration is also proposing. Job search can be a cost-effective technique for some people—particularly those with prior work experience—and for areas where a sufficient number of jobs exist. But it will probably not work for everyone, and can become an excessive cost to local welfare agencies, applicants and employers if there are no jobs to be found. The current state option to require job search, granted last year by Congress, is the most sensible policy and should be preserved.

As an alternative to these mandatory work programs, the welfare administrators ask you to make the following changes in law, so that we may better meet our responsibilities:

Allow States to operate demonstrations to test variations of the existing operational AFDC program for two-parent families where one parent is unemployed.—Congress created this option to discourage parents from separating as a way for the mother and chidlren to qualify for aid. Today, only 22 states provide AFDC-UP, as it is called, with fiscal problems having forced four states—Missouri, Montana, Utah, and Washington—to drop the option during the past two years. To encourage some assistance to two-parent families, to allow states to apply tougher work requirements and incentives to these families, and to give financially strapped states that may be forced to drop it an alternative to doing so, the federal requirements for AFDC-UP should be changed to give states more flexibility in this program compo-

nent. This might include letting states: place a limit on the provision of aid as an incentive for the family breadwinner to return to the labor force quickly; eliminate the child care deduction or the work incentive disregard for these families; mandate participation in work supplementation programs (it is now voluntary) and other state work programs; limit aid to certain geographic areas within a state, and open access to AFDC-UP for a limited interval during sustained periods of high unemployment. We believe such changes will allow states to help truly needy intact families with temporary cash assistance and strong work incentives and are encouraged that both the Stark and Ford bills include pieces of this proposal.

Remove the four-month limit on the availability of the work incentive disregard ($30 plus ⅓ of net earnings).—This arbitrary limit bears no relationship to any evidence of how long it may take a recipient to form an attachment to the labor force and move off the rolls without a loss in income. A recent study by the Research Triangle Institute for the HHS Office of Family Assistance claims that the limit has had no effect on the work efforts of recipients. Unfortunately, this study is unable to draw any conclusions about the material well-being of those families that left assistance once the work incentive was shutoff, or that have been discouraged from applying because their low level of earnings is higher than the even lower income cutoff point now used in AFDC. We believe that the income of many of these families falls well below the federal poverty line and that a substantial number have no form of health care coverage now that Medicaid is unavailable to them. The data on the effects of the four-month limit merely confirm that people will work under adverse circumstances, not that they have extricated themselves from poverty. We support Chairman Ford's proposal for eliminating the 4-month limit but if total repeal of the limit is not feasible, we believe states should be given some flexibility in applying this provision, perhaps by extending the disregard for a longer, more reasonable period and/or by permitting states to gradually phase it out over time.

When calculating AFDC eligibility and benefits, require that the disregard for day care expenses be deducted last.—Currently, day care costs up to $160/per month per child are deducted and then one-third of any remaining income is disregarded as a work incentive, before AFDC benefits are calculated. This means that the higher a family's day care expenses, the smaller its work incentive. In other words, the work incentive is used to pay part of the day care cost—an effect we believe that Congress did not intend when it enacted the current policy as part of the 1981 reconciliation legislation. This policy also creates a serious inequity because families who do not pay for their day care but receive it instead as a public service from Title XX or another program, or from relatives and friends, get the benefit of a full work incentive since no day care expenses are deducted from their income. By disregarding day care last, as Mr. Stark has proposed, the work incentive will be applied equally to all employed recipients and no family will be unfairly disadvantaged when it pays for day care out of its own pocket.

Permit states to require a parent whose youngest child is age three or above to participate in WIN, if child care and adequate federal WIN funds are available.—To avoid long-term dependency, it is crucial that parents become involved in work as early as possible, so long as the child's care is assured. Young mothers in particular may benefit from training and exposure to the world of work early on. The Reagan administration has also proposed this change in the law.

Allow states to penalize recipients who voluntarily quit or reduce employment.—This proposal by the administration would extend the penalty in current law to cover persons who are exempt from participation in the WIN program because they work more than 30 hours a week or live in a remote area. States believe there should be effective means to enforce the work requirements of the AFDC program.

Increase educational and work opportunities for older children

Recently, a series of national reports have galvanized public attention on the critical need to improve our educational system. This development is of particular import to AFDC children, whose poverty is perhaps the single greatest barrier in preventing them from taking advantage of the opportunities for upward mobility in our society. The state administrators believe that just as improvements are needed in the nation's schools, comparable adjustments need to occur in the policies governing AFDC. The program should do what it can within its limited domain to encourage the development of children and help break what can become a cycle of intergenerational welfare dependency. In this regard, our plan includes two recommendations:

Allow any full-time secondary (i.e., high or vocational) school student to continue receiving AFDC through age 20.—Currently, eligibility may be extended through age 18 or up to age 19 if the child is expected to graduate from high school that year.

This discriminates against children who start their education late or who are held back in school owing to slow development or illness. Our proposal would remove this bias but stop short of allowing AFDC to be used while a child attends college, which was the policy prior to 1981. We believe this approach will encourage children to finish their secondary education and commend Rep. Stark for including it in his legislation.

Exclude the earnings of children from the gross income eligibility limit of 150 percent of the State's standard of need.—At present, states must count a child's earnings toward the gross income limit for eligibility determination purposes but exempt them when calculating the family's benefit level. This creates an unnecessary and unintended inequity that may dissuade children of working age and in school from developing an early attachment to the labor force, when that may be the one thing they need to avoid future welfare dependency. A precedent for our proposal is contained in the Job Training Partnership Act (JTPA) enacted last year—it permits the exclusion for a time of the income earned by children in federally funded JTPA jobs. We see no reason not to extend this policy to the earnings of all children.

Enhance responsiveness to need

Next, we come to the gaps in the coverage provided by the AFDC program. Constraints in existing law sometimes make the program less responsive than it should be to the needs of poor families. This has been especially evident during the past two years of high unemployment, as states have often been unable to use AFDC to help children and their parents in genuine need. To help remedy this situation, we propose the following changes:

Convert the monthly reporting/retrospective budgeting requirement to a State option; and for States that use the option, allow for the payment of federally matched benefit supplements when family income decreases and, owing to the built-in delay in retrospective budgeting, the regular benefit cannot be immediately adjusted to reflect this increased need.—There is no convincing evidence that monthly reporting/restrospective budgeting improves the accuracy of eligibility and benefit determination to the point where a nationwide mandate, as is now the case, is sensible. States are in the best position to decide when and where these administrative methods would be effective for their individual AFDC caseload and will continue to use this technique where it is warranted. As for supplements, states may provide them now but entirely at their own expense. H.R. 3512 offered by Mr. Stark includes the precise authority that states seek.

Create a standard filing unit in the AFDC program that includes the parent(s) and all minor children.—This change, proposed by the Reagan administration, would help assure that AFDC benefits reflect a family's true financial circumstances, because family members with outside income—such as earnings, social security benefits, or child support—could not be removed from the AFDC unit. Under current law, AFDC families can decide which members to include and often do not seek assistance for those with outside income sources. As a result, these resources, which are generally available to the whole family, are not counted when determining AFDC eligibility and benefits. Recipients of supplemental security income should be excluded from this new requirement, however, since they often have special needs which the AFDC grant does not address.

Remove the restriction that limits the use of AFDC emergency assistance by a family to one unforeseen emergency per year, and reimburse States for their emergency assistance expenditures at the regular AFDC matching rate.—The current limit—thirty consecutive days in any 12-month period—makes it difficult for states to respond flexibly to the emergencies families face. The existing reimbursement rate of 50 percent ignores the serious fiscal difficulties states are experiencing and thus different abilities to raise revenues; it may also be the main reason why only half of the states provide emergency assistance under their AFDC programs. Making the changes we suggest would enable AFDC to better respond to crises and would reduce the need in the future for special federal appropriations such as the recently enacted emergency jobs and humanitarian aid legislation. Rep. Stark's legislation offers a slightly different approach to the problem, giving $50 million in federal funds to state AFDC agencies to help the homeless, familes, and victims of domestic violence. We support Mr. Stark's proposal; it is consistent with our interest in assuring that states have an ongoing capacity to address emergency situations.

Allow Federal funding to cover the needs of the incapacitated or unemployed father when aiding pregnant women.—Based on a statutory change in 1981, states may only provide aid during the thrid trimester to a pregnant woman with no other children. The father cannot be covered until the child is born. By contrast, if a woman is pregnant but also has other children receiving aid, both she and the

father are eligible for AFDC during the entire pregnancy. Our recommendation is to do away with the inequity by letting states respond to the actual need that exists.

Finally, I would like to share with you our reasons for opposing the repeal of the gross income limit as proposed in H.R. 2354. As you know, the 1981 reconciliation legislation mandated that only familes with incomes below 150 percent of the state's standard of need be eligible for AFDC. This gave states a valuable tool for assuring that families with very high incomes—the few horror cases that so often receive press attention and inflame state and federal legislators—do not receive AFDC. We believe the current requirement makes an important and much needed statement, preventing families above certain income from participating in AFDC. In addition, if states find that the existing gross income ceiling is too low, they may do as 27 states have already done and raise their standard of need, which automatically increases the gross income limit. In sum, we believe the gross income ceiling should be retained, and in doing so Congress should make only one modification—exempt all children's earnings, not just those in JTPA/CETA jobs, from the limit.

Make AFDC and food stamps more administratively compatible

For years, we have tried through legislation and administrative action to align the policies and procedures in AFDC and food stamps. Some progress has been made but more can be done. Unlike the federal government, states operate these two programs in tandem through the same administrative structure, since so many families qualify for both benefits. Yet, our workers must master two different and often inconsistent sets of rules—a situation which in no small way contributes to the potential for error and waste. To reduce this potential and increase the efficiency of benefit delivery, further legislative changes are needed to coordinate AFDC and food stamp polices. The state administrators offer the following suggestions for your consideration:

Allow five States to test, on a demonstration basis, common definitions and income budgeting procedures in AFDC, food stamps (including beneficiaries not receiving cash assistance), and medicaid (because of its close link to AFDC).—Although some demonstrations have been conducted in the past, none has been sufficiently comprehensive in the past, none has been sufficiently comprehensive to allow states to effectively integrate the rules of the three programs. Moreover, the federal agencies that administer the programs have often been reluctant, even in demonstrations, to change their rules to allow more compatibility with each other. Our proposal seeks to determine the value of making policies for the three programs more alike. To preserve the basic structure of our welfare system, demonstration states would be permitted to adopt any of the current rules in each of the three programs as the standard for any of the other programs; they could not, however, establish new definitions. The demonstration could include development common terms, such as income, resource, and household definitions; establishing uniform application and eligibility determination procedures; unifying the recipient budgeting and reporting processes for the three programs; setting up a single family case file; and consolidating program planning and evaluation. Such a demonstration would complement those proposed in Rep. Campbell's integrated service delivery bill (H.R. 2563).

Allow States to exempt from the AFDC resource limit—as is already done in food stamps—burial plots, funeral agreements, and property a family is making a good faith effort to sell at a reasonable cost.—Currently, States must count these items, which are usually of little value and which may require a more costly administrative effort to locate and assess their value than they are worth. Exempting them would be a non-controversial change with virtually no effect on the federal budget and would make AFDC rules the same as those used in food stamps and supplemental security income (SSI). H.R. 3512 offered by Rep. Stark would make this change.

Adopt for AFDC, the food stamp policy governing the treatment of strikers.—At present, States must deny AFDC to the family when one of the parents goes on strike; if another family member (besides the parent) goes on strike, that person must be denied aid. Thus, in effect, AFDC is used to discourage recipients from participating in a strike, even if a recipient has no real alternative. By contrast, the food stamp policy simply prohibits a family's benefit from increasing when a member goes on strike (i.e., the benefit stays at the prestrike level, rather than increasing to offset the loss of earnings). AFDC should operate in the same neutral way.

Replace the $75 per month work expense disregard for AFDC recipients with the food stamp disregard of 18 percent of gross earnings.—State welfare administrators have long advocated a percentage disregard, because it would be significantly easier to administer and more responsive to actual changes in the costs of working. In addition to being arbitrary, the $75 deduction is insufficient to cover even the manda-

tory payroll deductions of full-time workers in many States. The AFDC program would be well served by following the food stamp example in this area. While the States could certainly support a 20 percent work expense disregard as Rep. Ford has proposed, it is essential that the same policy apply in both AFDC and food stamps. Absent any changes in food stamp law, we urge this committee to adopt the food stamp limit of 18 percent of earnings.

Remove the $25 per month cap on the expenses for which participants in community work experience programs (workfare) may be reimbursed.—This arbitrary cap, which has been imposed by regulation, is often too little to cover the costs of transportation, day care, work clothes, and the like. States may supply these services themselves and receive 50 percent administrative reimbursement, but this approach can easily turn out to be more expensive and cumbersome than letting the participant purchase these items on his own, within reasonable limits set by the State. Under the food stamp workfare program, all reasonable expenses are reimbursable. A similar policy in AFDC, as is proposed in H.R. 3512, would likely make CWEP a more attractive, cost-effective option for the States and recipients.

Improve program efficiency through certain technical changes

There are a number of technical changes that we believe could be made to simplify administration of the AFDC program without adding to federal costs:

Eliminate the requirement that pregnant women register for work or training when they are in their third trimester of pregnancy.—We think this is an unintended quirk in the law. It makes no sense to require work registration by a woman who will soon be exempt from the requirement anyway, especially since few job opportunites exist for pregnant women and there are more productive ways to spend States' limited administrative resources. Although these women can be exempted now on the basis of incapacity, the States believe it is inappropriate to label pregnancy in this way. H.R. 3512 makes the change we are seeking.

When a family becomes ineligible owing to receipt of lump sum income, allow States to reinstate eligibility if the family's financial need increases.—Under current law, the lump sum is divided by the State's monthly payment standard to arrive at the number of months of ineligibility. Even if the family's circumstances change—say, a child is born, a parent loses a job or the family incurs high medical bills—during the period of disqualification, the family remains ineligible. Thus, current policy pretends no change occurs. The only exception to this is if the family is faced with life-threatening circumstances. Allowing eligibility to resume when the family's needs sufficiently increase, as Mr. Stark proposes, would be much more equitable and less complex than having to determine whether a life-threatening circumstance exists.

Exempt the earned income tax credit [EITC] from countable income in AFDC.—States are now required to count the EITC monthly if the family appears to be eligible for it, regardless of whether or not it is actually received. This is not only unfair to those who do not receive it, but also requires states to expend considerable effort judging potential eligibility, estimating the amount of the credit that should be counted, and then at the end of the tax year reconciling this with the amount the family actually receives. In addition, few working families are now likely to qualify for the EITC, since the 1981 reconciliation changes removed so many full-time workers from the rolls. In sum, we believe the inequity and work burden exceed any possible gain from a policy which is nothing more than giving a benefit with one hand and taking it away with the other. For these reasons we endorse Mr. Stark's proposal to disregard the EITC altogether.

Allow States to forgo recoupment of overpayments when it is not cost-effective to pursue collection.—It is a waste of public funds to require that states go after overpayments to former recipients when the costs to collect will exceed the amount owed. Absent a clear federal directive in this area such as that in H.R. 3512, states could be held inappropriately accountable for these overpayments.

Give States discretion in choosing when to make a protective payment.—Currently, states must remove the parent from AFDC and make a protective payment on behalf of the children to a third party when the parent: fails to cooperate with WIN and workfare requirements, fails to assign child support rights, or otherwise refuses to cooperate with child support enforcement. Broader state authority than this is needed because: (1) removing the parent from aid is the appropriate sanction; (2) it may be incorrect to assume the sanctioned parent cannot properly spend the child's benefit; (3) it is often difficult to identify someone to serve as a protective payee; and (4) use of a protective payment does not in practice restrict the parent's access to the benefit. States should be permitted, as H.R. 3512 allows, to decide on a case-by-

case basis when to make a protective payment, as they now do in all instances of money mismanagement by the parent or caretaker.

When determining an alien's eligibility and benefits, require that the income of the organization or agency sponsoring the alien be considered.—At present, only the income of individuals who sponsor aliens is counted. This technical correction, included in the Stark bill, has also been proposed by the administration.

In this testimony, I have outlined a plan for making the AFDC program work better. Our approach is not doctrinaire but pragmatic, aimed as it is at striking an appropriate balance among the main objectives of social policy—adequacy, fairness, and efficiency. The nation's welfare administrators believe the proposals I have sketched here mesh well with the fiscal stringency and political caution of the times while preserving our society's public commitment to a sound public welfare system. We hope you share this view.

Attached as an appendix is a list of my organization's positions on the administration's fiscal year 1984 budget proposals for welfare programs and a chart which illustrates the cost effectiveness of our alternatives.

That concludes my statement, Mr. Chairman. We look forward to being of further assistance as you and your colleagues face the difficult choices of setting policy for the year ahead.

APPENDIX

POSITIONS ON THE ADMINISTRATION'S PROPOSALS

Aid to families with dependent children

Reaffirm opposition to mandatory shelter and utilities proration for families living in larger households.—Shelter and utilities proration is both error prone and contrary to the flat grant concept.

Reaffirm opposition to excluding the needs and income of the caretaker relative when the youngest child is 16.—These parents often have been out of the active labor force for all or most of their childrearing years and continue to need assistance in making the transition to paid employment. State welfare agencies are also concerned about the potential this proposal has for encouraging teenagers to leave school and the cost shift to states that would occur.

Reaffirm opposition to mandatory community work experience programs (CWEP) and job search for AFDC applicants and recipients.—These should remain state options. States however, should have the option to require parents with children under the age of 6 to participate in work activities if day care is available and there is funding for AFDC work programs.

Oppose the proposal to eliminate absence from the home solely by reason of employment as an AFDC deprivation factor.—As proposed, this would have no practical effect on AFDC recipients in that it is essentially unenforceable. It is not clear why the administration is recommending this change and what it expects to achieve.

Support creation of a standard AFDC filing unit that includes the parent(s) in the home and all minor related children. Recipients of supplemental security income (SSI) would be exempt.—This would help assure that grants reflect a family's true financial circumstances.

As an alternative to the existing policy and the administration's fiscal year 1984 proposed change, support using the food stamp strikers' policy in which aid continues at the pre-strike level for AFDC.—This would make the policies of the two programs consistent and would remove AFDC from a role in determining strike behavior.

Reaffirm opposition to expanding access to AFDC information.—The existing regulations allow sufficient access to information and include the necessary recipient protections.

Reaffirm support for the application of the alien sponsor provision to organizations and agencies.—Currently, only the income of individuals who sponsor aliens is counted when determining AFDC eligibility and benefits.

Support the proposal to allow States to penalize persons who voluntarily quit or reduce employment.—This would expand current law by applying the voluntary quit provision to persons who are exempt from WIN because they are working for more than 30 hours per week or are remote from a WIN site.

Support the proposal to allow States to require parents with children age 3-6 to participate in WIN if child care and federal WIN funds are available.—To avoid long term AFDC dependency, it is important that parents become involved in work as early as possible without jeopardizing the child's care.

Child support enforcement

Reaffirm opposition to financial restructuring of the administrative costs in child support enforcement (CSE).—This proposal does not adequately address AFDC cost avoidance and the costs of paternity establishment, could adversely affect state budgeting cycles, and provides no incentive for interstate collections. The audit changes proposed by the administration will do what is needed to improve state performance. State agencies, however, remain willing to work with Congress and the administration on improving CSE financing and performance.

Support improving the effectiveness of child support enforcement programs by encouraging States to adopt more effective techniques such as: wage withholding when a delinquency equivalent to 2 months' support occurs; quasi-judicial procedures for the establishment and enforcement of support orders; a state income tax intercept system, in states with an income tax and a taxpayer refund possibility; and liens against property. States should decide which of these techniques may be most effective, given states' individual circumstances.

Reaffirm support for changing the annual audit to a periodic one and graduating the penalty for non-compliance.—In lieu of the annual audit and 5 percent (of the federal AFDC reimbursement) penalty, a triennial audit would be conducted and results-oriented performance standards established. In making this change, the existing period for resolving federal-state audit differences should be retained and the assessment should be based on both statutory compliance and measures of program effectiveness that are supported by both the federal and state governments.

Reaffirm support for requiring the U.S. Postal Service to verify addresses for location purposes and allow States to use the federal parent locator service as needed.—This will increase the sources of location information and enable states to contact the federal locator service before exhausting all local information sources, which is especially helpful for cases where the parent is known to have moved out of the immediate area.

Reaffirm support for child support collection for certain children in foster care so long as States are allowed discretion for instances when pursuit of child support would not be in the best interests of the child.—Authority to pursue support for these children was inadvertently dropped under the new IV-E foster care program.

Reaffirm support for extending the section 1115 waiver authority to the child support enforcement program.—Innovative program ideas (which do not involve a federal cost) can be tested with this waiver authority.

Support the HHS proposal for modifying the timing and content of the annual report to Congress on child support enforcement.—To give HHS more time to receive and analyze state's fourth quarter data, the annual report to Congress would be delayed by 3 months, making it available 6 months after the close of the fiscal year. Two reporting changes would also be made: states would no longer be required to report spousal support cases separately, and states would be required to report interstate cases.

Support requiring that CSE agencies petition the court to include medical support as part of the child support order whenever health care coverage is available to the absent parent at a reasonable cost.—(Same position under Medicaid section.) This will reaffirm that Medicaid is the payor of last resort. States should be able to use either IV-D or Title XIX funds to support this activity.

APWA PROPOSALS FOR THE AFDC PROGRAM

Proposal	Full year	
	Cost	Savings
Eliminate the 4-month limit on $30 and ⅓	$90	.....
Deduct 18 percent for work expenses	8	.....
Deduct day care costs last	13	.....
Exclude children's earnings from the 105-percent limit	.....	(1)
Exempt EITC from countable income in AFDC	15	.....
Extend AFDC to children in high school through age 20	5	.....
Revise the AFDC emergency assistance program	10	.....
Authorize AFDC-UP demonstrations	.....	(1)
Eliminate work requirement for pregnant women	.....	(1)
Optional AFDC monthly reporting and retrospective budgeting	.....	.....
Recalculate lump sum income in certain circumstances	.....	(1)
Allow direct payment of CWEP expenses	.....	.....

APWA PROPOSALS FOR THE AFDC PROGRAM—Continued

Proposal	Full year	
	Cost	Savings
Exempt burial plots, funeral agreements, and certain property from AFDC resources		
Do not recoup overpayments unless it is cost effective	0	
State discretion in making protective payments		(1)
Test of common AFDC, FS, and medicaid definitions		(2)
Create a standard filing unit		$120
Deem organizations sponsoring aliens		(1)
Incapacitated fathers in UP cases with no other children		
Voluntary quit		1
Work by parents of 3- to 6-year-old children at State option		3
Use food stamp strikers' policy in AFDC		
	141	124

[1] Negligible.
[2] Not available.

Budget estimates are from CBO for a full year of implementation; fiscal year 1984 costs would be less.

Additional Statement of Stephen Heintz, Commissioner, State of Connecticut Department of Income Maintenance

Good afternoon. I am Stephen Heintz, commissioner of the Connecticut Department of Income Maintenance.

First, I want to assure you that I am not here today to discredit MR. MR is a valuable management tool in controlling error. The point I want to make in fact, is just that: MR is a valuable management tool. But it is not the management tool. Perhaps in certain places, in certain situations with certain types of problems, it is the ideal approach. But there is no evidence whatsoever that it is the panacea that will solve all problems everywhere; that it is so universally effective that every State should devote major portions of its very limited resources to its implementation.

As you know better than I, States are very different and have very different problems. So it is with their AFDC programs. States have different kinds of error and, perhaps more importantly, different causes of error. In our State, for example, 70 percent of our error is due to client misrepresentation of fact. To address this, we have implemented a special home visit project. We have recently arranged for our workers to be able to access the State motor vehicle files so they can verify the client's statement of resources. We are also well along in developing a bank account match against our recipient files with the same goal in mind.

Most of our clients are honest. There are very few who defraud the program. But it is those few who cause the majority of our errors. Our management decision is that the best tools to attack our problems right now are direct client contact and various uses of collateral information sources to verify client's statements.

If we are forced to implement the tool of MR, the overwhelming cost in staff and other resources will also force us to curtail our efforts to use the tools that do fit our situation.

And will MR help us? Think about it. If someone is willing, in a face-to-face interview, to look you in the eye and make statements that misrepresent the facts; if he is willing to sit there in front of you and sign his name to an application document that also misrepresents the facts; do you think he will have any hesitation about doing the same on a monthly form that is merely mailed in? Think about it. We have serious doubts that MR will help us with our problems. But the sad thing is not that it won't help. The sad thing is that it diverts our limited resources away from efforts that we think will help.

What does all this look like from the States' perspective? Because of concern with error rates, 2 or 3 States did controlled experiments with monthly reporting and had apparently good results. Now, reevaluations of their findings cast serious doubts on those results. And yet, because of concern over error rates, you are mandating that all States implement this unproven approach, regardless of their particular types of problems. In effect, what we have is a nationwide pilot program.

You know it is so draining on our resources that we will have to forego other approaches which may hold much more promise for our unique situations. Then, as

you cut off our management options and tie our hands by locking us into one questionable approach, you also say that if your idea doesn't work, we'll be sanctioned. Furthermore, because our State is just now implementing this new and extremely complex MR system, we have been informed that all MR implementation errors will be held against us immediately. Yet if we had only been able to implement MR, prematurely, just 3 months earlier, we would have at least been allowed a 3-month hold harmless period for QC error. We believe it is unfair to so severely penalize a State that was unable to implement MR quickly.

I want to make it clear that our concerns are not limited to the QC error rate alone.

We are continually frustrated over inconsistencies between AFDC and food stamp Federal policies. MR rules are no exception. One single household must be constantly viewed from two different, and often opposing, perspectives: One AFDC, the other food stamps.

The MR system has been designed in such a way that a client who experiences a decrease in earnings is forced to endure a period of significantly reduced income. I might add that Sates also feel forced to alleviate this unfair hardship situation with unmatched State funds.

As I indicated earlier, we seriously doubt MR's effectiveness in addressing client fraud, which is the primary cause of our QC error. But what are we asking of the vast majority of clients who are honest and eligible? We unfortunately anticipate that many eligible households will lose benefits because they are unable to cope with the MR reporting requirements.

Your job now is to make the program rules. Our job is to run the program. But to do our job, we need the flexibility of professional managers: The flexibility to be responsive to the reality out there; to continually diagnose our problems and choose the corrective actions that seem right for our problems at the time. If you don't think we have the incentive to be good managers, remember, you have the threat of sanctions. And, believe me, we feel threatened. But don't tie our hands and then punish us if we can't do the job. Either mandate management techniques or threaten sanctions. But not both. It just isn't fair and it won't work for either of us.

We are not asking that you do away with MR. Far from it. We are asking that you make it optional. As managers, we want as many techniques as we can get to choose from. We want to be able to use the MR tool if and when it seems right for us. It just shouldn't be mandatory; no more than any one management technique should be mandatory.

We are asking you to untie our hands.

We are asking you to consider making monthly reporting an option that we can consider.

Thank you for this opportunity to address the committee. I would be happy to answer any questions the committee might choose to pose.

Chairman FORD. Our next witness is Mr. Merle Springer, executive deputy director of the Texas Department of Human Resources.

STATEMENT OF MERLE SPRINGER, EXECUTIVE DEPUTY COMMISSIONER, TEXAS DEPARTMENT OF HUMAN RESOURCES

Mr. SPRINGER. Mr. Chairman, as you know, as in most of the Nation a current recession has resulted in greater needs for human services. This is reflected by an increase in the application rates for assistance, and even more tragically by an increased incidence of reports of child abuse.

I have rather lengthy testimony before you, and I will try to hit four of the major high points in the testimony.

I would first like to point out that the general economic situation across the country is reflected in Texas by some rather unique social and economic factors including the impact of migration, immigration, and our situation as a border State with the nation of Mexico; people coming into our State, including the unemployed seeking work and the elderly who have come to retire. The peso devaluation and the hard-hit Mexican economy has brought depression-like conditions to the Texas-Mexico border.

We appreciate the recent hearing that the subcommittee held in south Texas and the concern that you expressed for our needs in that part of the country.

Border counties have an unemployment rate in excess of 20 percent. In Webb County, where Loredo exists, in March 1982 there was 12 percent, an increase to 28 percent by March 1983. In McAllen, the unemployment rate in 1982 was 13 percent and rose to a high of 21 percent.

AFDC applications have increased by 33 percent. Food stamp applications increased by 63 percent. We had a drop in our child-support collections because of people being unemployed, and unfortunately, we also saw an increase in the number of children needing to be removed from their homes and going into foster care in the protective services program.

The second point I would like to make is that there is a pressing need to increase the title 20 funding authority as is specified in H.R. 2534.

We recently held hearings across the State of Texas to receive comments about our agency's plan to spend title 20 block grants. Testimony indicated that there are people with tremendous need for services that are not being served.

Elderly people are isolated and need day activities to prevent long-term and nursing home care and social contact and physical health services.

AFDC and other public assistance recipients have difficulty in becoming self-supporting because of a lack of day care. Women who have been beaten, as a result of domestic disputes, have been turned away from title 20 family violence shelters because of lack of space.

I would also point out, in our own experience, since 1976 there has been a tremendous increase in the child abuse and neglect referrals. In 1976, we had 32,000 referrals. In 1982, this went up to 54,000, and it continues to grow in 1983 to around 59,000 reports.

You will recall that in 1981 the Omnibus Reconciliation Act made cuts in the title 20 program. Let me give you a capsule view of what impact that had upon our States.

It resulted in us only being able to hit the higher priority cases in the protective services program. Day care for AFDC recipients had to be reduced by 15 percent. Family planning services were cut by almost 10 percent. We had to reduce the family-support services for AFDC, whereby we were trying to help them to be self-sufficient and self-supporting, and we had to reduce our community-based services for the elderly affecting over 1,000 clients.

Let me point out that we are only serving about 26 percent of that last group that indeed need services.

Thus, in summary of that particular point, let me state that the proposal under H.R. 2534 to increase the title 20 ceiling would help us to meet those needs and address the unique border needs within the State of Texas.

The third point I would like to speak to is that there is a critical need to have a full authorization and appropriation for the title IV-B fund. As you know, the funding level is in the neighborhood of $156 million and the authorization is $266 million.

When Public Law 96-272 as passed, it contained two major proposals for children. The first was that a promise was made to commit the preventative services for children to prevent them from going into foster care. The second promise was that the Federal Government would encourage the development of permanent homes for children in foster care, helping them to move into subsidized adoption and permanency planning.

Unfortunately, title IV-B has never been fully funded. These two major purposes have not been fully fulfilled.

The next point I would like to bring to your attention is some changes in the law that could improve the administration of Public Law 96-272. I would like to highlight three areas.

We continue to support the goals and implementation of Public Law 96-272. We think there are some areas that might improve the language of the law.

The first is that, effective on October 1, 1983, the court determination must be made that reasonable efforts have been made to prevent the need for removal or to return the child to his home for each child removed from his home.

Another section of the law states that it requires the States to provide placement, preventative, and reunification services.

Thus, the court determination duplicates the requirement and adds substantial administrative burdens. We feel that this burden is already added to the overburdened court system and we believe that the language confuses the judicial process and the fund eligibility process.

While we continue to support preventative and reunification services, we would suggest that be done by the certification review between the administrative agencies of the States and the Federal Government?

The second area under Public Law 96-272 is that it created the new IV-E foster-care program, but the law retains the requirements of the old AFDC foster care program which mandates 6-month reviews for eligibility.

Rarely do we find that a child's eligibility changes after the original determination or need for foster care. Therefore, we believe that this requirement for the 6-month review should be deleted.

The third area under Public Law 96-272 relates to the revision of adoption subsidies and title 19 medicaid coverage for hard-to-place children. Federal law requires that interlocutory or a temporary decree be issued.

Some States, including our State, by law can place children in adoptive homes without the interlocutory decrees. Because of the Federal requirements, there can be a gap in service. An adoption payment in medicaid may not be available without this interlocutory decree. Therefore, we do believe the interlocutory decree requirement should be deleted.

Let me say that in relation to previous testimony that has been provided, we too are supportive of H.R. 2563 on the integrated services. We have been interested in particular in trying to bring about some common definitions in relation to the AFDC program and the food stamp program.

Two years ago, we reorganized our services around families and children and aged and disabled which traditionally had been organized around the Federal funding streams for people.

Finally, I would say that there are areas in the AFDC administrative requirements that need revision. We, too, think that the reexamination of the 4-month limit on the $30 and one-third needs to be addressed.

Also, we believe that the monthly reporting and retrospective budgeting issues should be addressed. We are experiencing additional administrative costs in that area. We also think that the 150-percent gross income test, particularly looking at children and those that are in school, need to be addressed.

Again, I want to thank you for the opportunity to appear before the committee this afternoon.

Mr. HANCE [presiding]. Thank you, Mr. Springer.

[The prepared statement follows:]

STATEMENT OF MERLE E. SPRINGER, EXECUTIVE DEPUTY COMMISSIONER, TEXAS DEPARTMENT OF HUMAN RESOURCES

Mr. Chairman and distinguished members of the subcommittee, my name is Merle E. Springer. I am Executive Deputy Commissioner of the Texas Department of Human Resources. I would like to testify today about conditions in my agency and in Texas as they relate to issues currently before your subcommittee.

In partnership with the Federal government, the Texas Department of Human Resources provides a wide range of financial, medical, and social services to Texans who need help. We are the state agency in Texas for a number of human resources programs, including Aid to Families with Dependent Children, Child Welfare Services, Foster Care and Adoption Assistance, Food Stamps, Medicaid, Low Income Energy Assistance, and the Social Service Block Grant. Our Department currently serves over 300,000 AFDC recipients per month, and almost 400,000 Food Stamps households per month. Over 620,000 Texans are currently recipients of Medicaid and over 400,000 receive social services funded through Title XX.

As in most of the nation, the current recession has resulted in Texas in greater needs for human services. This has been shown by increased application rates for assistance, and even more tragically by increased incidences of child abuse. Texas is only recently beginning to recover from the recession, and economists believe that conditions will continue to improve moderately over the next several months. Texas should be able to take full advantage of the expected increase in national economic growth over the next decade, but the coming years will also see a continued gap between human needs and state and local abilities to meet those needs.

In addition to the general economic situation, Texas also faces some relatively unique social and economic factors, including the impact of migration and immigration and our situation as a border state.

People moving into our state have included the unemployed seeking work and the elderly who have come to retire. Both of these groups are at greater risk of needing services than the general population.

Peso-devaluations and the hard-hit Mexican economy have brought depression-like conditions to the Texas-Mexico border area. Some of our border counties have had unemployment rates in excess of 20 percent. For example, in Webb County (where Laredo is located), unemployment in March 1982 was 12.7 percent, increased to 28.8 percent in March 1983, and dropped somewhat to 27.2 percent in May 1983. In Hidalgo County (where McAllen is located), the unemployment rate was 13.5 percent in March 1982 and rose to a high of 21.1 percent in September. It has come down somewhat to 20.4 percent in March of 1983, and 17.8 percent in May, 1983.

From the spring of 1982 to spring of this year, AFDC applications increased 33 percent in these border counties, and Food Stamp applications increased 63 percent. During the same period, Child Support collections dropped 30 percent; and in our Child Protective Services Program, we saw a 12 percent increase in the number of removals of children from their homes. Another result of Mexico's economic problems has been the number of illegal aliens who have crossed the border, placing an even greater strain on the services that can be provided by public and private agencies.

THERE IS A PRESSING NEED TO INCREASE THE FEDERAL TITLE XX FUNDING AUTHORITY

We recently held public hearings across Texas to receive comments about our agency's plan to spend Title XX block grant funds. The testimony indicated that there are people with tremendous need for services who are not being served. The conclusion was not that the Title XX pie is being sliced unfairly; it was that the pie is not large enough. People testified that elderly, isolated people need day activity and health services in order to maintain social contact and physical health, but are not able to enter a Title XX funded center because only those clients who have the most extreme needs can be served. Some testified that single parents are unable to become independent of AFDC or other public assistance because of a lack of day care. Others spoke of women who had been beaten by their husbands, but were turned away from a Title XX family violence shelter for lack of space. Others pointed to the need for services to prevent child abuse and neglect, rather than just responding to reports of injured children.

Often you must hear administrators of state human service agencies suggest that more money and more programs are needed. While my testimony today does suggest that the Title XX ceiling should be raised, what I am really saying is that there is tremendous unmet human need.

TDHR administers a large social service program. The Title XX block grant provides a large part of our budget. When the Title XX program began in 1976, the federal appropriation was $2.5 billion. That went to a high of $2.9 billion in 1981. With the reductions of the Omnibus Reconciliation Act of 1981, the current appropriation is about $2.675 billion with an authorization level of $2.5 billion for fiscal year 1984. Thus, the federal commitment has not substantialy increased since 1976, but there have been substantial changes in the need for these types of services. Since 1976, the population of the U.S. has increased about 10 percent. The Texas population is increasing at a rate that is 3 times the national average.

National unemployment in 1976 was 7.6 percent and had increased to over 10 percent in 1983.

$2.5 billion in 1983 buys less than $1.5 billion worth of services, in 1976 dollars.

Also, community expectations have increased demands for Title XX funds. For example, in 1976, TDHR received more than 32,000 reports of child abuse and neglect. In 1982, we received more than 54,000 reports.

In 1976, there were no emergency shelters in Texas to serve victims of family violence/spouse abuse. Today there are more than 35. This is not to say that the problem has increased, but the community now expects resources to be devoted to solving the problems. Unfortunately, two-thirds of the victims who request services from a family violence shelter must be turned away for lack of room.

Since 1976, there has been a new awareness of abuse and neglect of elderly and disabled persons. Programs have been developed to protect these people in need.

The funding cuts created by the Omnibus Budget Reconciliation Act of 1981 resulted in reductions of services to people in need. Cuts made in Texas included:

Protective Services to children were reduced to clients not in the highest priority groups.

Day Care Services to enable AFDC clients to work or train for work were reduced by more than 15 percent.

Family Planning Services were cut by almost 10 percent.

Most Family Services for AFDC clients were eliminated. These included activities such as information and referral, arranging for food or shelter, and crisis counseling.

Community-based Services to allow elderly or disabled persons to remain in their own homes were reduced, affecting about 1,000 clients.

Let me point to some differences between what is needed in Texas, and what is available.

In fiscal year 1984 there will be over 600,000 Texas women with household income below the Food Stamp eligibility levels, and who are at a risk of unintended pregnancy. There will be an additional 142,000 women of child bearing age, at a risk of unintended pregnancy, who will receive AFDC or SSI. We expect to be able to provide Title XX family planning services to approximately 188,000 people next year.

There are over 500,000 Texas children age 0–14 with working mothers whose family income is less than 47 percent of the State median income. There will be about 148,000 children age 0–11 who receive AFDC each month in Texas. We have reason to believe that 55,000 Texas children under age 6 are left alone at home while parents are working.

In fiscal year 1984, there will be over 172,000 elderly or disabled Texans who have income less than $611 per month, resources of less than $5,000, and who need per-

sonal care services. We expect to be able to deliver these community-based services to only 26 percent of those in need.

Child protective services is a high priority service in TDHR. TDHR is now receiving about 4900 reports of abuse or neglect per month. However, we do not have sufficient funds to provide ongoing treatment services to all families with a high risk of abuse or neglect. We are in the position of responding after children have been mistreated. We just do not have the resources to reach out to other families in stress, such as unmarried or school-age parents, or children who are truant or runaway.

The proposal in H.R. 2534 to increase the Title XX ceiling will help us to meet these needs and our unique border-related needs.

THERE IS A CRITICAL NEED TO APPROPRIATE ADDITIONAL FUNDS FOR TITLE IV–B

When Congress passed Public Law 96–272, the Adoption Assistance and Child Welfare Act of 1980, many advocates on behalf of abused and neglected children were encouraged. That legislation contained two major promises to children who were mistreated. The first promise dealt with the commitment of substantial new FFP in Title IV–B. More federal funds means that preventive services can be delivered rather than serving children after they are harmed. Indeed, FFP did increase upon passage, meaning that more families could receive improved services designed to protect children. The law also called for increasing appropriations each year, in order to fulfill the second promise, that the federal government would encourage the development of permanent homes for children in foster care.

The law includes a trigger mechanism; if Title IV–B is fully funded (in fiscal year 1984, $266 million), then a ceiling would be placed on federal Title IV–E foster care expenditures. The concept is to make adequate federal funds available for services to move children out of foster care and to limit the resources available for maintaining large foster care populations. Unfortunately, Title IV–B has never been fully funded. Thus, the two major promises have not been completely fulfilled.

The result of this shortcoming is that states lack the resources to provide comprehensive services to all children who need them. In Texas, for example, the Department of Human Resources is required by law to investigate all reports of abuse and neglect. But for some children found to be at high risk of abuse or neglect, there are inadequate resource to offer on-going services. Priorities are established, and there are delays in providing services to those children who don't meet the highest priority criteria. In some cases some children may not receive services.

If Title IV–B were fully funded at $226 million, rather than the current $156 million, we could offer services to these children.

In 1977, there were about 7,900 children in foster care in Texas. TDHR, using Title XX and Title IV–B funds has attempted to provide services that would allow these children to return to their own homes safely, or find other permanent adoptive homes. In fiscal year 1982 we placed about 3,360 children into foster care for the first time and were able to place about 800 in adoptive homes. Today, through these efforts, there are about 5,200 children in foster care in Texas. We want to lower this number even more. But we need additional federal support.

Increased funding is a priority, but we must also ensure that federal requirements are reasonable and that we do not waste scarce resources on rigid or complex administrative rules and systems when a more simple and less expensive approach could work. This is particularly important because of the diversity of state systems and needs.

CHANGES IN THE LAW CAN IMPROVE THE ADMINSTRATION OF PUBLIC LAW 96–272

I have supported the goals and implementation of Public Law 96–272, the Adoption Assistance and Child Welfare Act of 1980. This is watershed legislation in the protection of children. However, after three years of experience with the law, I wish to suggest three changes in the law which would reduce administrative burden while maintaining the worthwhile goals of the law.

Section 472(a)(1) requires that after October 1, 1983, a court determination be made that reasonable efforts have been made to prevent the need for removal, or to return the child to his home, for each child removed from his home. Another section of the law, Section 471(a)(15) requires the states to provide placement preventative and reunification services. The court determination requirement duplicates that requirement and adds substantial administrative burden. The child placement agency does not have the ability to control what issues a judge includes in orders, and the court determination is not required by state law. The court determination is a condition of eligibility for Title IV–E foster care. Thus, the effect of this requirement is to add legal duties on already overburdened courts, or to jeopardize eligibility for

IV-E foster care. We support the goal of placement prevention and reunification services. However, the implementation of these services should not be dependent on the courts. It would be more appropriate for states to meet the requirements of section 471(A)(15) with certification and review between administering agencies of the state and federal governments.

Public Law 96-272 created the new Title IV-E foster care program. The law retains the requirements from the old AFDC-foster care program regarding eligibility determinations and six month reviews of eligibility. The requirement to review a child's eligibility every six months is costly and time consuming. Rarely do we find that a child's eligibility changes after the original determination. The requirement for six months reviews should be deleted.

Public Law 96-272 provides for adoption subsidies and Title XIX Medicaid coverage for eligible hard-to-place children. Before an adoption assistance payment or Medicaid can be provided in an adoption placement, federal law requires that an interlocutory (or temporary) decree be issued. Some states, including Texas, by law can place children in adoptive homes without interlocutory decrees. We achieve the goal of permanent placement, but because of federal administrative requirements, there can be a gap in service. An adoption payment and Medicaid are not available without the interlocutory decree. For children with special medical needs, the lack of Medicaid can be a barrier to adoption. The interlocutory decree requirement does not facilitate adoption opportunities, and should be deleted.

WE STRONGLY SUPPORT LEGISLATION TO ALLOW STATES FLEXIBILITY TO DELIVER INTEGRATED SERVICES

Most clients come to us because they need help, often with several related problems. They may need cash assistance to meet their immediate basic family needs, food stamps to keep the family fed, help in getting training for employment, or day care for children so that they can get some job training. They may need medical assistance. It is simply not appropriate to send a family from one place and program to another without consideration for the family's total needs. Not only is that approach frustrating to clients and confusing to the frontline staff trying to help families with limited resources, it is administratively inefficient.

In Texas we have made a major commitment to taking a holistic approach to service delivery and streamlining access to and administration of services.

In 1980 we reorganized the Department of Human Resources to provide services based on the client groups to be served; families and children, and the aged and disabled. We have moved away from specialized services based on the source of federal funding and are working toward a more general approach to helping. This is difficult to do because of the nature of the problems we are dealing with and the complexity of the programs that have been created to help people. We are working hard to simplify and to automate as many of the tasks our frontline staff have to perform as we can.

Substantial barriers to simplifying and coordinating the delivery of human services continue to exist. H.R. 2563, the integrated service delivery bill is a necessary and positive step in the process of improving the delivery of services.

I would like to make several suggestions about this bill. There are a number of activities which the bill requires a state to undertake in a test of integrated service delivery. To encourage states to participate and to design systems appropriate to a variety of needs and circumstances, states should be allowed to test selected activities but not necessarily all of them. Also states should be allowed to use program definitions now used in AFDC, Medicaid, or Food Stamps without having to request a federal waiver specifically.

In those cases where waivers are required, I would urge that some time limit be established to require prompt action on waiver requests submitted by states. Bureaucracies are filled with well-intended people, but nonetheless change can be very difficult to make occur. Time limits on waiver processing have been very helpful in the Medicaid program.

Finally, I believe the bill needs to create some mechanism to assure that coordination occurs among the federal agencies from whom states must seek waivers. For example, in Texas we have a longstanding interest in integrating AFDC and Food Stamps. If the Department of Health and Human Service and the Department of Agriculture reach an impasse over some issue related to waivers to improve coordination between those programs, then an integrated service delivery project would be stymied. Coordination between these two agencies is critical because of the number of applicants and recipients of these two programs.

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AFDC ADMINISTRATIVE REQUIREMENTS CAN BE IMPROVED FOR THE BENEFIT OF CLIENTS AND STATE AGENCIES RUNNING THE PROGRAM

In Texas, the Omnibus Budget Reconciliation Act of 1981 (OBRA) caused removal of 37,300 clients from the AFDC rolls with a saving of $12.5 million. The majority of clients were denied primarily because of the following provisions of OBRA:

Eligibility for AFDC is limited to families with gross income at or below 150 percent of the State's standard of need.

Work incentive disregards are limited to four months.

Earned income tax credit (EITC) is considered as monthly income, regardless of receipt.

Many of the changes achieved by OBRA are sound and should be preserved; however, many other provisions of OBRA warrant adjustment if the program is to operate efficiently and effectively. Specifically, Texas supports the following proposals to improve the AFDC program:

Eliminate the 4-month limit on the $30 and ⅓ work incentive disregard. Arbitrarily limiting a work incentive to four months places a barrier in the way of recipients moving off the rolls into gainful employment.

Replace the $75 AFDC work expense disregard with the food stamp disregard percentage of gross earnings (now at 18 percent). This will be simpler to administer and more equitable for recipients.

When calculating AFDC eligibility and benefits, change the order of the disregards by subtracting day care costs last. This proposal will improve equity in the treatment of recipients and simplify computations.

Exclude the earnings of all children in school from the gross income limit of 150 percent of the state standard of need. Currently, states must count a child's earnings toward the gross income limit but exempt it when determining the benefit level. This creates an unnecessary and avoidable inequity that may discourage working age children from trying to find and keep employment.

Allow any full-time secondary (high school or vocational) school student to continue to receive AFDC until the age of 21. This will serve to encourage these children to finish their secondary education.

Eliminate the provision of limiting eligibility to clients with gross income less than 150 percent of the state standard of need.

Revise the treatment of lump sum income to allow states to recalculate the ineligibility period when circumstances change. This will expand the current authority and allow states to adjust for more than just life-threatening circumstances.

Exempt the earned income tax credit from countable income in AFDC. The federal government provides this benefit to low-income working Americans. To further reduce the income of the nation's poorest families—AFDC recipients—is unfair.

Use the food stamp program's resource policy as it pertains to burial plots, funeral agreements, and property a household is making a good faith effort to sell at a reasonable cost, so that states may exempt these items from the resource limit in AFDC. This would again promote better coordination between AFDC and food stamps and simplify administration.

Allow states to waive recoupment of overpayments when it is not cost effective to pursue collection. For example, states should not be required to pursue overpayments to former recipients when the costs to collect will exceed the amount owed.

Make AFDC monthly reporting and retrospective budgeting a state option.

MONTHLY REPORTING REQUIREMENTS IN AFDC HAVE PROVEN TO BE COSTLY, INEFFICIENT, AND PUNITIVE

Section 2315 of the 1981 Ominbus Budget Reconciliation Act required states to implement Monthly Reporting and Retrospective Budgeting (MR/RB) in AFDC.

One year ago we implemented MR/RB in the AFDC program. Hopes were that MR/RB would improve program performance by enhancing corrective actions already on line. To this end 10 percent (11,000) of the AFDC caseload was included in the MR/RB system. The selected population had a higher probability of error and was less affected by traditional corrective action techniques. However, to date, we have no data to prove MR/RB is an effective tool in reducing error rates. A recent study completed by the Center on Budget and Policy Priorities suggests that in fact MR/RB has no statistically significant impact in reducing error rates.

It has been our experience thus far that mandatory MR/RB increased the work effort for each case by 30 to 40 percent. Texas, like most other states, is not in a position to add the staff necessary to manage this additional workload. MR/RB creates a tremendous volume of paper which must be handled monthly. This increased

administrative effort in conjunction with the impact of contradictions between AFDC and Food Stamp regulations creates an error prone situation.

I'm afraid we have lost sight of the objective of helping individuals in need in the morass of monthly reporting requirements. We recently implemented an automated system which enforces compliance with AFDC MR requirements. Nineteen percent of those sent monthly report forms were denied for noncompliance. Another 1.9 percent of the MR population either received late benefits or were ultimately denied. Again, the Texas experence supports observations made by the Center on Budget and Policy Priorities in their analysis of the Colorado experience. I'll quote:

"After adjusting the data to account for those households who could not be interviewed, Mathematica estimated that between 20 percent and 50 percent of the households terminated for 'failure to file' or 'failure to correct' were eligible at the time of termination."

The Texas Department of Human Resources is committed to reducing the error rates and improving the quality of service to needy families. At present, there is no evidence that mandatory MR/RB assists in these efforts. To meet our commitments to accuracy and quality service, flexibility to address unique demographic and time limited events is of the utmost importance. If MR/RB were optional, states would have a tool to selectively utilize for those households where its use would appear to be cost effective.

A MANDATORY COMMUNITY WORK EXPERIENCE PROGRAM WOULD NOT BE COST EFFECTIVE IN TEXAS

The 1981 Omnibus Budget Reconciliation Act provided authority for states to establish AFDC community work experience programs (CWEP).

Texas has chosen not to implement a Community Work Experience Program in this state because of cost effectiveness considerations, transportation problems, and support from the state legislature in pursuing voluntary employment program for AFDC recipients.

In Texas the average grant per family is so small that a recipient could only work about 44 hours per month in CWEP. Analysis indicated that small amounts of hours would create scheduling problems for individuals, public agencies, and administrating supervisors without any significant benefit being achieved by the recipient. Cost effectiveness of such a program seems dubious. Additionally, much of Texas is rural, and even in metropolitan areas, adequate public transportation is largely unavailable. The cost of creating a transportation resource for participants is prohibitive.

Because of the complexity of Texas economy, geography and demographic areas, an employment program needs diversity and tailoring to various situations in order to succeed.

DHR staff are currently testing two projects in employment and plan to introduce a third in January 1984. The projects are the Home Health Aide Project, Job Search, and the Job Training and Work Experience Program. In the Home Health Aide Project the DHR has contracts with the cities of Austin, El Paso, Fort Worth and San Antonio to train and employ AFDC recipients as home health aides to serve elderly and disabled persons in their own homes to reduce Medicaid costs for institutional care.

Job Search is an option available under the Tax Equity and Fiscal Responsibility Act. Job Search specifications include:

Require all applicants for AFDC to participate in a bona fide job search in pilot areas, unless they are exempt. This will be a condition of eligibility for AFDC;

Purchase job search/placement from employment agency;

Give clients a choice of agencies for employment assistance;

Encourage permanent placement through prorated reimbursement;

Prepare a comprehensive evaluation.

Job Training and Work Experience is a pilot which attempts to test the effectiveness of an all voluntary employment service for AFDC caretakers.

The project provides for on-the-job training of AFDC recipients through a grant diversion process. DHR will negotiate contracts with participating employers to insure job placements are permanent; allowances for work expenses are paid; advances are available for needy recipients; and adequate medical coverage will be given.

We believe we should continue to have the opportunity to use various approaches to getting employment for recipients of public assistance.

THE USE OF FISCAL SANCTIONS BY THE FEDERAL GOVERNMENT BASED ON QUALITY CONTROL FINDINGS WILL CREATE MAJOR PROBLEMS FOR THE STATE OF TEXAS

Although Texas has maintained error rates which have been below the national average, at our current error rate our state could lose $54 million in sanctions against the AFDC, Medicaid and Food Stamps programs through 1985. This is unreasonable; it is unfair to clients who may be adversely affected by the loss of program funds, and it is counter-productive. Surely it would be hard to imagine that program management could improve with a loss of funds of that magnitude.

Historically DHR has operated a QC program to monitor AFDC, Medicaid and Food Stamp programs for the proper expenditure of public funds. Quality Control was established as a management system to produce information which could be used to improve eligibility determination and service delivery. It was sampling techniques to develop estimates of program benefits provided to ineligible persons and estimates of benefits provided in excess of correct amounts.

The sampling technique used provides estimates which are accurate at plus or minus two percent with a 95 percent confidence level. Since the range of the possible true error rate is plus or minus two percent, states may be penalized because of this inherent lack of precision in sampling and estimating techniques. In 1984, in Texas for every one percentage point over the respective program target level, Texas could lose $4.78 million in federal Medicaid dollars, $.87 million in federal AFDC dollars and $2.38 million in federal food stamp dollars.

In addition to problems of accuracy, QC data is not timely. The length of time between when a case is worked and the federal establishment of a state's error rate ranges from 13 to 25 months. This makes corrective action difficult since these are dynamic programs. The QC system forces retroactive problem analysis instead of current problem identification.

As mentioned previously, we have maintained error rates in Texas which have been below the national average. QC can be important management tool, but the current system is based on an inadequate system of measuring errors and simply shifts program costs to states.

AFDC, Food Stamps and Medicaid have complex eligibility requirements. Since 1978 there have been over 100 regulatory changes in the Food Stamp program. In the past two years, the scope of changes in the AFDC program has been unprecedented. Recently states have had limited time to implement federal program changes, and most of these changes have increased program complexity. In addition to policy change, front line staff have had to deal with increased applications for assistance due to changes in economic conditions. Yes, some errors can be avoided by improved management and we are working hard to eliminate the errors that we can. There are many which cost us money which we cannot directly control, and a useful quality control system must be sensitive to these issues.

I would recommend that Congress instruct USDA and HHS to work with states to design a quality control system that provides useful results for states and the federal government. Also, I would recommend that USDA and HHS present to Congress the redesigned quality control system before any more fiscal sanctions are imposed using the current system.

This new system should exclude technical errors (procedural errors that do not affect eligibility or benefit levels) and client errors (which state agencies cannot control directly). It should use the lower end of the confidence level so that states are not penalized for problems in sampling and estimating techniques.

The system should take into account the volume and timing of court and federally mandated program changes, economic conditions which may increase application rates, and the timeliness of feedback to states on errors. It should also recognize the varying degrees of program complexity among states and it should recognize and give credit to states for running efficient and effective programs. Earlier I supported the concept of service integrations. Narrow constructs of program integrity embodied in punitive quality control systems will work against the experimentation and innovation required to improve access to services by clients.

In conclusion I would like to express my appreciation to this subcommittee for the opportunity to present our view points on some complex issues. The manner in which this committee is trying to: meet the needs of people, provide leadership in administrative flexibility which recognizes difference among states in service delivery needs, create appropriate administrative tools to address program integrity, and allow opportunities to simplify program administration is heartening and commendable.

I thank you.

Mr. HANCE. The next witness is James Krauskopf, representing the National Association of Counties.

STATEMENT OF JAMES A. KRAUSKOPF, COMMISSIONER, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. KRAUSKOPF. I appreciate the opportunity to appear here. We are concerned about the impact of fundamental changes which occurred as a result of the Omnibus Budget Reconciliation Act of 1981 in the AFDC program about the impact on recipients, especially the working poor and on shifting fiscal responsibility from the Federal Government to State and local government.

I will focus on the consequences of several of these changes; in particular, the elimination of the work incentives in the AFDC program and the establishment of a community work experience program; the AFDC error rate reduction efforts and the mandatory implementation of monthly reporting and retrospective budgeting.

I also want to comment briefly on cuts in the title XX program. With regard to the AFDC program, we are concerned that the intent of these proposals was to limit assistance only to those who could not support themselves, but the impact of the programs may well have been to reduce incentives for people who are on AFDC to get off welfare and to accept jobs.

As you know, the changes that were made affected the work-related expenses, put a cap on day care, limited the disregard of earned income to 4 months, and required that the earned income tax credit be counted as income.

In New York City these changes caused 14,000 people from working families to be eliminated from the rolls and reduce benefits to another 32,000 individuals.

Studies to date suggest that these changes have not impacted on the work efforts of those recipients who were already working, but these provisions, coupled with the sharp reduction in funding for more employment and training programs, appear to have discouraged employable AFDC recipients who are not now working from seeking employment and reducing their dependence on public assistance.

Major studies to date have focused on the behavior of those families who have been terminated from AFDC as a result of the 150-percent limit and because of the elimination of the earned income disregard after 4 months. In general, the findings of these studies have shown that the majority of workers eliminated from the program have not quit their jobs so as to become eligible for AFDC again.

I might add that these studies have not shown what the impact of these changes has been on the lives of the families and individuals involved.

The preliminary results of a study that we have undertaken in New York City suggest that the cases closed by the 150-percent rule do not have a higher rate of return to public assistance than high income cases normally do. The results also indicate that the cases terminated by the elimination of the $30 and one-third income disregard at the end of 4 months do not return to public

assistance at a significantly different rate than such cases did prior to the implementation of this provision.

The results of these and other studies are not surprising. They really support what we have known all along, that the work ethic among welfare recipients has always been and continues to be strong.

These studies, however, have failed to address the issue of whether or not the restrictive use of the $30 and one-third income disregard has discouraged recipients with minimum employment opportunities from seeking employment. Our experience in New York City seems to suggest that the 4-month limit on the income disregard may have, in combination with other factors, discouraged recipients from seeking employment.

The number of AFDC cases with a working member dropped by 8,068 since these provisions went into effect. The number of working cases fell from 14,262, or 6 percent of the caseload, in December 1981, to 6,194 cases, or 2.5 percent of the caseload, in June 1983. Just over half—58 percent—of the decline can be accounted for by the 4,680 cases that were made ineligible by the 4-month limit on the $30 and one-third earned income disregard and the 150-percent gross income limit.

The remaining drop of 3,588 in the number of working cases can be partially explained by the cutbacks in Federal employment and training programs. For example, the reduction in Federal funds for the WIN program has resulted in fewer AFDC mothers being placed in jobs. The downturn in the economy, as measured by the unemployment rate, has also had an impact, although not a significant one, on the number of recipients getting jobs. Our experience with our local general assistance program over the same period, where the number of working recipients has actually increased, seems to indicate that there are jobs available at least for some of this population.

These factors, however, cannot explain the total reduction in the number of working cases. Thus, it appears that the elimination of the work incentives, especially the 4-month limit on the $30 and one-third income disregard, has acted to discourage recipients from seeking employment and thus, from taking the first step toward self-sufficiency. This may be because recipients recognize the fact that after 4 months of working they would have their grant reduced by $1 for each dollar that they earn working. In addition, these families also risk losing their medicaid coverage if their earnings reach a high enough level to make them ineligible for assistance.

In addition to the changes discussed above, two other provisions enacted in 1981, the $75 cap on work-related expenses and the requirement that EITC be counted as income, actively discourage recipients from working. The cap on work expenses is set at a level which is significantly less than actual employment expenses. Even in 1981, 67 percent of the AFDC recipients who were working had expenses in excess of $75. The cap has forced working recipients to pay any expenses above $75 directly from their earnings, further reducing their disposable income. The requirement to count EITC payments as income available to working recipients regardless of

whether they receive it also results in an unwarranted reduction in the recipient's income.

We commend the chairman for recognizing the importance of the work incentives in encouraging recipients to seek employment. We strongly support the intent of H.R. 2354 to restore work incentives to the AFDC program. If this administration is seriously committed to reducing dependence on public assistance, it must restore some type of work incentives to the AFDC program.

I also want to comment on the administration's proposal to eliminate and cut back on other employment supports such as day care and to focus on the community work experience program as its primary approach to employment for welfare recipients.

A program, which requires recipients to work off their grants at minimum wage, should not be regarded as a substitute for actual work incentives which provide recipients with a financial incentive for taking unsubsidized employment.

The administration continues to recommend that the WIN program be eliminated and that States be required instead to implement a CWEP program for all able-bodied recipients. NACo opposes the administration's proposal to repeal the WIN program and strongly recommends that the implementation of a CWEP program remain at the option of the State.

The cost of administering a mandatory program on the scale envisioned by the administration would be prohibitive. For example, the cost of training supervisors, developing placements for participants, administering the program and providing day care for 25,000 active WIN registrants would be approximately $65 million. The costs would increase significantly if the city were required to include the entire pool of 85,000 WIN registrants.

However, the city recognizes the potential value of a CWEP program if it is implemented at the option of the State and designed to include a limited number of recipients for whom participation would be cost-effective. In April 1983, New York City began a pilot CWEP program for the 600 AFDC recipients whose youngest child is at least 17 years old. The program is designed to provide participants with assistance in seeking employment and with the work experience they need to move into the labor market. A preliminary evaluation of the demonstration program has indicated that 12 percent of the recipients have found jobs after the initial job search phase of the program.

I caution that we are in the early stages of this and that we don't have any final conclusions about its effectiveness.

Despite its outspoken support of the principle of workfare, the administration has refused to provide adequate Federal funds to administer the program and to provide the necessary support services. The Federal Government has refused to reimburse costs for day care, transportation, and lunch in excess of $25 per case per month.

If Congress wishes to see this program expanded, it is essential that the Federal Government reimburse the actual costs of supportive services for participants. An assumption that work programs can be operated on a significant scale without these services is totally unrealistic and could jeopardize the well-being of participating AFDC families. Without increased Federal reimbursement

the program represents one more instance where the Federal Government has transferred the costs of social services programs to States and localities.

The error rate reduction system for the AFDC program, as enacted in the Tax Equity and Fiscal Responsibility Act of 1982, shifts public assistance costs from the Federal Government to State and local governments. It requires States to reduce their error rate to 4 percent by 1983 and 3 percent thereafter. States which fail to meet these goals are subject to substantial fiscal penalties unless they qualify for a good-faith waiver which can be granted by the Secretary.

New York City is committed to providing public assistance in the correct amount to eligible persons. We believe that errors must be reduced to the absolute minimum. However, we oppose the imposition of fiscal sanctions on those States which fail to achieve an arbitrarily established goal. The city has in fact achieved a dramatic reduction in its AFDC error rate. As a result of an ambitious quality control program, the error rate has been reduced from a high of 27.4 percent in 1973 to 6.3 percent—for the period from April 1982 to September 1982.

This reduction has been achieved by undertaking the following initiatives: the development of an intensive computerized matching program that independently checks the social security number of recipients with the State's wage reporting system, the city and State payroll, the Social Security Administration and other benefit programs; the initiation of a face-to-face recertification program; and the initiation of a mail recertification program. The city will continue to evaluate these and other quality control efforts and to aggressively pursue additional measures for improvement.

The establishment of a uniform national error rate goal overlooks the existence of legitimate factors that affect the ability of States and localities to meet a specified goal. For example, the reduction of the error rate becomes increasingly more difficult as the error rate gets lower and as the proportion of client errors as opposed to agency errors get higher.

In addition, a uniform national standard ignores the fact that differences in error rates are often attributable to variations in local circumstances, such as the size of the AFDC caseload and the degree of urbanization, which are not under the direct control of program administrators. Thus, States such as New York, which have made considerable progress in reducing their error rate in spite of existing obstacles, risk being sanctioned for not meeting the arbitrarily established goal.

States and local governments have sufficient incentives to minimize errors without the need for Federal fiscal penalties. That's why we feel the administration is really less interested in reducing errors than it is in achieving savings through disallowances and cost transfers to the State and local level.

Just a word about monthly reporting. In another effort to increase the effectiveness of administration in the AFDC program and to reduce errors, Congress enacted a provision in 1981 which would require States to implement a system of monthly reporting and retrospective budgeting [MRRB]. It is ironic that the administration would require States to implement such a complex adminis-

trative procedure at a time when it is emphasizing the simplification of program administration and greater State responsibility under the "New Federalism."

In March 1983, the NACo board of directors passed a resolution opposing the mandatory implementation of MRRB. New York City strongly recommends that the system be implemented at a State's option when it would help to reduce the payment error rate. Each State, not the Federal Government, can best determine whether monthly reporting and retrospecive budgeting would be effective in improving administration and reducing errors.

New York City's experience with monthly reporting on a pilot basis provides no convincing evidence that the system improves the accuracy of eligibility and benefit determination when required for the entire caseload. In addition, significant administrative costs are entailed in implementing the program because of the substantial support and supervisory staff needed to process monthly reports and enter data.

For New York City, monthly reporting and retrospective budgeting does not generate a significant amount of information beyond that which is already available from other sources. We already have in place other means of verifying the outside income of recipients who have some attachment to the labor force. They include eligibility mail-out questionaires, computer matches of the public assistance file with the wage reporting system and the city and State payroll and scheduled face-to-face recertifications every 4 months. We are, nonetheless, implementing monthly reporting in accordance with current Federal requirements.

Finally, I want to comment on the social services block grant. Another technique used in the Omnibus Budget Reconciliation Act of 1981 to shift fiscal responsibility from the Federal to State and local governments is the block grant. The consolidation of social services programs into a block grant has, in each case, been accompanied by a substantial reduction in the level of Federal funding.

Under the Omnibus Budget Reconciliation Act of 1981, the consolidation of social services programs into a block grant was accompanied by a reduction in Federal funds from $3.1 billion to $2.4 billion. The loss of Federal funds for title XX has forced the city to provide tax levy funds equal to $15.4 million in 1982 and $13.0 million in 1983 to prevent the closing of 50 day centers and 29 senior centers in the city. Costs to the city will continue to rise each year as the cost of maintaining the existing level of services increases. Localities, however, should not be expected to continue to compensate for increasing Federal cutbacks.

Cutbacks in day care services, which would occur if the city could not provide sufficient funds, would prevent employable adults from accepting employment or training, thereby increasing the likelihood that they would turn to, or remain on, public assistance. If senior centers—which are an integral part of the support system for many elderly people—are closed, it would be difficult for many of them to remain self-sufficient.

Moreover, the reduction in Federal funds for title XX services, many of which are preventive in nature, seriously jeopardizes the well-being of low income children and families in the city. High unemployment, which currently characterizes New York City's econo-

my, has historically been accompanied by rising instances of child abuse and neglect. This in turn has placed a growing demand on preventive and protective services for children which are funded, in part, through title XX. If these forms of care are not available, children may have to be removed from the home and placed in foster care.

We strongly support the legislation that has been proposed in this committee to increase the national appropriation for title XX through fiscal year 1986. I would also note that the jobs bill that was recently passed put in a one-time appropriation for increased title XX funds. An additional $13 million was allocated to New York State from the jobs bill. It would be quite cruel to people who are getting the benefits of new programs that will be started with this money to have to turn the programs off if the Federal appropriation is not increased on an ongoing basis.

I appreciate the opportunity to appear before the committee and look forward to answering any questions you may have.

Mr. HANCE. Thank you very much.

[The prepared statement follows:]

STATEMENT OF JAMES A. KRAUSKOPF, COMMISSIONER, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

I am Jack Krauskopf, Commissioner of the Human Resources Administration in New York City. I am testifying today on behalf of the National Association of Counties. I am pleased to have the opportunity to appear before your Subcommittee today to discuss some of your legislative proposals to reverse provisions in the AFDC and other social services programs enacted at the request of the Reagan Administration over the last two years.

The Omnibus Budget Reconciliation Act of 1981 brought about fundamental changes in social policy by restricting eligibility for entitlement programs, particularly for the working poor, and by shifting fiscal responsibility for social services programs from the federal to state and local governments. I will focus on the consequences of only a few of these changes on New York City's public assistance and social services programs—specifically, the impact of the elimination of the work incentives in the AFDC program, the establishment of the Community Work Experience Program, the implementation of the AFDC error rate reduction system, mandatory implementation of Monthly Reporting and Retrospective Budgeting and the reduction in federal funding for Title XX.

AFDC WORK INCENTIVES

New York City is most concerned with the impact of the Administration's budget proposals that were incorporated into the Omnibus Budget Reconciliation Act of 1981, which appear to have eliminated any financial incentive for AFDC recipients to seek employment. The intent of these proposals was to limit assistance only to those who could not support themselves. To accomplish this, the degree of income supplementation for the working poor was significantly curtailed. Eligibility for assistance was restricted to working families with earnings below 150 percent of the state standard of need. Also, the amount of assistance to which the remaining working families were entitled was reduced by a number of provisions including a $75 limit on work related expenses, $160 cap on day care costs, a 4 month limit on the "$30 and one-third" earned income disregard and a requirement to count the Earned Income Tax Credit as income before it is received. In New York City these changes made 14,000 people from working families ineligibile and reduced benefits to another 32,000 recipients.

While studies to date suggest that these changes have not impacted on the work effort of those recipients who are already working, these provisions, coupled with the sharp reduction in funding for employment and training programs appear to have discouraged employable AFDC recipients, who are not now working, from seeking employment and reducing their dependence in public assistance. The major studies to date have focused on the behavior of thse families who have been terminated from AFDC by the 150 percent gross income limit and by the elimination of

the earned income disregard after four months. In general, the findings of these studies have shown that the majority of wokers eliminated from the program have not quit their jobs so as to become eligible for AFDC again.

The preliminary results of a study that we have undertaken in New York City suggest that the cases closed by the 150 percent rule do not have a higher rate of return to public assistance than high income cases normally do. The results also indicate that the cases terminated by the elimination of the $30 and one-third income disregard at the end of four months do not return to public assistance at a significantly different rate than such case did prior to the implementation of this provision.

The results of these and other studies are not surprising. They merely support what we have known all along, that the work ethic among welfare recipients has always been and continues to be strong.

These studies, however, have failed to address the issue of whether or not the restrictive use of the $30 and one-third income disregard has discouraged recipients with minium employment opportunities from seeking employment. Our experience in New York City seems to suggest that the four month limit on the income disregard may have, in combination with other factors, discouraged recipients from seeking employment. The number of AFDC cases with a working member dropped by 8,068 since these provisions went into effect. The number of working cases fell from 14,262, or 6.0 percent of the caseload, in December 1981 to 6,194 cases, or 2.5 percent of the caseload in June 1983. Just over half (58 percent) of the decline can be accounted for by the 4,680 cases that were made ineligible by the four month limit on the $30 and one-third earned income disregard and the 150 percent gross income limit.

The remaining drop of 3,588 in the number of working cases can be partially explained by the cutbacks in federal employment and training programs. For example, the reduction in federal funds for the WIN program has resulted in fewer AFDC mothers being placed in jobs. The downturn in the economy, as measured by the unemployment rate, has also had an impact, although not a signficant one, on the number of recipients getting jobs. Our experience with our local general assistance program over the same period, where the number of working recipients has actually increased, seems to indicate that there are jobs available at least for some of this population.

These factors, however, can not explain the total reduction in the number of working cases. Thus, it appears that the elimination of the work incentives, especially the four month limit on the $30 and one-third income disregard, has acted to discourage recipients from seeking employment and thus, from taking the first step toward self-sufficiency. This may be because recipients recognize the fact that after four months of working they would have their grant reduced by one dollar for each dollar that they earn working. In addition, these families also risk losing their Medicaid coverage if their earnings reach a high enough level to make them ineligible for assistance.

In addition, to the changes discussed above, two other provisions enacted in 1981, the $75 cap on work related expenses and the requirement that EITC be counted as income, actively discourage recipients from working. The cap on work expenses is set at a level which is significantly less than actual employment expenses. Even in 1981, 67 percent of the AFDC recipients who were working had expenses in excess of $75. The cap has forced working recipients to pay any expenses above $75 directly from their earnings, further reducing their disposable income. The requirement to count EITC payments as income available to working recipients regardless of whether they receive it also results in an unwarranted reduction in the recipients income.

We commend the Chairman for recognizing the importance of the work incentives in encouraging recipients to seek employment. We strongly support the intent of H.R. 2354 to restore work incentives to the AFDC program. If this Administration is seriously committed to reducing dependence on public assistance it must restore some type of work incentives to the AFDC program.

Another provision of the Omnibus Budget Reconciliation Act of 1981 concerning employable recipients gave states the option of implementing a Community Work Experience Program for AFDC recipients. A program, which requires recipients to work off their grants at minimum wage, should not be regarded as a substitute for actual work incentives which provide recipients with a financial incentive for taking unsubsidized employment.

The Administration continues to recommend that the WIN program be eliminated and that states be required instead to implement a CWEP program for all able bodied recipients. NACo opposes the Administration's proposal to repeal the WIN program and strongly recommends that the implementation of a CWEP program

remain at the option of the state. The cost of administering a mandatory program on the scale envisioned by the Administration would be prohibitive. For example, the cost of training supervisors, developing placements for participants, administering the program and providing day care for 25,000 active WIN registrants would be approximately $65 million. The costs would increase significantly if the City were required to include the entire pool of 85,000 WIN registrants.

However, the City recognizes the potential value of a CWEP program if it is implemented at the option of the state and designed to include a limited number of recipients for whom participation would be cost-effective. In April 1983, New York City began a pilot CWEP program for the 600 AFDC recipients whose youngest child is 17 years old. The program is designed to provide participants with assistance in seeking employment and with the work experience they need to move into the labor market. A preliminary evaluation of the demonstration program has indicated that 12 percent of the recipients have found jobs after the initial job search phase of the program.

Despite its outspoken support of the principle of workfare, the Administration has refused to provide adequate federal funds to administer the program and the necessary support services. The federal government has refused to reimburse costs for day care, transportation and lunch in excess of $25 per case per month.

If Congress wishes to see this program expanded it is essential that the federal government reimburse the actual costs of supportive services for participants. An assumption work programs can be operated on a significant scale without these services is totally unrealistic and could jeopardize the well-being of participating AFDC families. Without increased federal reimbursement the program represents one more instance where the federal government has transferred the costs of social services programs to states and localities.

AFDC ERROR RATE REDUCTION SYSTEM

The error rate reduction system for the AFDC program, as enacted in the Tax Equity and Fiscal Responsibility Act of 1982, shifts public assistance costs from the federal government to state and local governments. It requires states to reduce their error rate to 4 percent by 1983 and 3 percent thereafter. States which fail to meet these goals are subject to substantial fiscal penalties unless they qualify for a good faith waiver which can be granted by the Secretary.

New York City is committed to providing public assistance in the correct amount to eligible persons. We believe that errors must be reduced to the absolute minimum. However, we oppose the imposition of fiscal sanctions on those states which fail to achieve an arbitrarily established goal. The City has in fact achieved a dramatic reduction in its AFDC error rate. As a result of an ambitious quality control program, the error rate has been reduced from a high of 27.4 percent in 1973 to 6.3 percent (for the period from April 1982 to September 1982). This reduction has been achieved by undertaking the following initiatives: the development of an intensive computerized matching program that independently checks the social security number of recipients with the state's Wage Reporting System, the City and State payroll, the Social Security Administration and other benefit programs; the initiation of a face-to-face recertification program; and the initiation of a mail recertification program. The City will continue to evaluate these and other quality control efforts and to aggressively pursue additional measures for improvement.

The establishment of a uniform national error rate goal overlooks the existence of legitimate factors that affect the ability of states and localities to meet a specified goal. For example, the reduction of the error rate becomes increasingly more difficult as the error rate gets lower and as the proportion of client errors as opposed to agency errors get higher.

In addition, a uniform national standard ignores the fact that differences in error rates are often attributable to variations in local circumstances, such as the size of the AFDC caseload and the degree of urbanization, which are not under the direct control of program administrators. Thus, states such as New York, which have made considerable progress in reducing their error rate in spite of existing obstacles, risk being sanctioned for not meeting the arbitrarily established goal. States and local governments have sufficient incentives to minimize errors without the need for federal fiscal penalties.

To impose sanctions on such states provides clear evidence that the federal government is less interested in improving administration than in achieving savings through the disallowance mechanism. The City recommends that any error rate reduction system assure that states which have made significant progress or a good faith effort to reduce their error rate are not sanctioned.

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING

In another effort to increase the effectiveness of administration in the AFDC program and to reduce errors, Congress enacted a provision in 1981 which would require states to implement a system of Monthly Reporting and Retrospective Budgeting (MRRB). It is ironic that the Administration would require states to implement such a complex administrative procedure at a time when it is emphasizing the simplification of program administration and greater state responsibility under the "New Federalism."

In March 1983, the NACo Board of Directors passed a resolution opposing the mandatory implementation of MRRB. New York City strongly recommends that the system be implemented at a state's option when it would help to reduce the payment error rate. Each state, not the federal government, can best determine whether Monthly Reporting and Retrospective Budgeting would be effective for improving administration and reducing errors.

New York City's experience with monthly reporting on a pilot basis provides no convincing evidence that the system improves the accuracy of eligibility and benefit determination when required for the entire caseload. In addition, significant administrative costs are entailed in implementing the program because of the substantial support and supervisory staff needed to process monthly reports and enter data.

For New York City, Monthly Reporting and Retrospective Budgeting do not generate a significant amount of information beyond that which is already available from other sources. We already have in place other means of verifying the outside income of recipients who have some attachment to the labor force. They include eligibility mail-out questionnaires, computer matches of the public assistance file with the Wage Reporting System, the City and State payroll and scheduled face-to-face recertifications every four months. We are, nonetheless, implementing monthly reporting in accordance with current federal requirements.

SOCIAL SERVICES BLOCK GRANT

Another technique used in the Omnibus Budget Reconciliation Act of 1981 to shift fiscal responsibility from the federal to state and local governments is the block grant. The consolidation of social services programs into a block grant has, in each case, been accompanied by a substantial reduction in the level of federal funding.

Under the Omnibus Budget Reconciliation Act of 1981, the consolidation of social services programs into a block grant was accompanied by a reduction in federal funds from $3.1 billion to $2.4 billion. The loss of federal funds for Title XX has forced the City to provide tax levy funds equal to $15.4 million in 1982 and $13.0 million in 1983 to prevent the closing of 50 day centers and 29 senior centers in the City. Costs to the City will continue to rise each year as the cost of maintaining the existing level of services increases. Localities, however, should not be expected to continue to compensate for increasing federal cutbacks.

Cutbacks in day care services, which would occur if the City could not provide sufficient funds, would prevent employable adults from accepting employment or training, thereby increasing the likelihood that they would turn to, or remain on public assistance. If senior centers, which are integral part of the support system for many elderly people, are closed, it would be difficult for many of them to remain self sufficient.

Moreover, the reduction in federal funds for Title XX services, many of which are preventive in nature, seriously jeopardizes the well-being of low income children and families in the City. High unemployment, which currently characterizes New York City's economy, has historically been accompanied by rising instances of child abuse and neglect. This in turn has placed a growing demand on preventive and protective services for children which are funded, in part, through Title XX. If these forms of care are not available children may have to be removed from the home and placed in foster care.

The City strongly supports the provision of H.R. 2354 which would increase the funding level for Title XX to $2.8 billion in fiscal year 1984, $2.9 billion in fiscal year 1985 and $3.0 billion in fiscal year 1986. It would also allow the City to maintain services at the level permitted by the $13.1 million in additional funds allocated to New York State under the Jobs bill. Without H.R. 2354, services could not be maintained at current levels.

H.R. 3512 AND H.R. 2563

Before concluding, I would like to address H.R. 2563, the Integrated Services Bill and H.R. 3512, the AFDC Cost Control and Management Improvement Act of 1983,

which are also being considered by your Subcommittee today. New York City supports H.R. 2563, which would give 4 to 8 states the opportunity to conduct pilot projects to get alternative methods of coordinating the delivery of social services to individuals and families. Such a pilot project would allow New York State to simplify the administration of the Food Stamp and AFDC programs and to reduce the amount of errors attributable to differences in the definitions and rules between the two programs. Specifically, the state could better coordinate both programs under a pilot project by extending categorical eligibility for Food Stamps to the AFDC members of households that are composed of both public assistance and non-public assistance recipients.

The approach recommended in H.R. 2563, however, does very little to address the real problems facing social services and entitlement programs today. H.R. 3512 and H.R. 2354 do more by attempting to undo some of the damage done by changes enacted by Congress over the last two years. In particular, we support the provisions in the H.R. 3512 that would restore AFDC eligibility to full time students under the age of 20, eliminate the requirement that EITC be counted as income regardless of when it is received, make monthly reporting and retrospective budgeting a state option, and eliminate the requirement that pregnant mothers in their third trimester of pregnancy be required to register for work.

NACo also strongly supports the provision in H.R. 2354, which permanently extends federal funding for children voluntarily placed in foster care. In addition, NACo supports the provision in the bill that makes permanent the 1980 Social Security Disability Amendment, which provides SSI benefits for individuals, who despite severe medical impairments, are employed.

In conclusion, I would like to commend the Chairman and other members of this Subcommittee for their strong commitment to the needs of low income people in this country. In addition, I would like to reiterate New York City's strong support for the restoration of the work incentives, which have proven to be crucial in encouraging recipients to make the transition from welfare to work and for measures which restore the long established federal responsibility for social services programs.

Mr. HANCE. At this time we have a few questions. One of the things that you testified in favor of was Chairman Ford's bill to eliminate the 4-month limitation on earnings disregard, and I would like you to go over briefly the experience in Texas with the 4-month limitation and why you support this.

Mr. SPRINGER. The circumstances are such that when you have individuals who are at a very low income in the States and moving into the private sector in employment, there needs to be a period of time in which there is some stability in terms of the job market and in terms of their earnings. If you cut that off, it begins to sort of drop them off the cliff rather quickly, and there is not an ability to stabilize their day-care arrangements.

There is not an ability to stabilize their transportation arrangements. In addition, as has been indicated earlier, one of the major problems is related to some of the health care provisions. We have found that employers themselves are not always willing and eager at the outset to begin to pick up the health care provision. So if you have a disregard in there, it keeps them on the rolls for a period of time and continues some medicaid coverage.

Mr. HANCE. One of the questions that I had on the quality control—I believe Mr. Goldberg spoke on that—the numbers that you had in checking the errors indicated that 40 percent of what they said would be errors—I guess the proper way to state it, were in error.

Mr. GOLDBERG. Yes, sir.

Mr. HANCE. They were not enough to be really legally classified as errors?

Mr. GOLDBERG. Yes, sir.

Mr. HANCE. Would you then favor legislation that would cut the penalties by 40 percent?

Mr. GOLDBERG. No, sir.

Mr. HANCE. Is that still too high?

Mr. GOLDBERG. No. My position is that what needs to be addressed is the reliability of this quality control system itself. I went through that. We are firmly committed in New Mexico and I believe my colleagues are firmly committed to a good quality control system.

I consider myself an advocate for the consumers of our programs, and we have very limited State dollars as the Federal Government also has very little dollars, and we want to make sure those dollars get to the right people. What my review revealed to me was that the quality control system itself has such substantial problems with it that it does not provide me with a good management tool, and it does not provide any basis whatsoever for such huge and devastating sanctions.

What I would like to see is for the quality control system to be overhauled and, before sanctions are imposed on the State, devastating sanctions in amount and very inequitably distributed among the States, that that review be had. Let's get a good quality control system in place and then let's see what happens.

Right now we don't have a good quality control system. That is the problem that I see. I am not advocating a proportional reduction in the sanctions. Essentially I'm advocating that sanctions ought not to be imposed until we have a good system upon which to predicate sanctions.

Mr. HANCE. That relates back to your testimony on monthly reporting. It seems like monthly reporting does work. Contrary to what the administration supposedly stands for, the extra burden and the additional paperwork would just create more bureaucracy and the need for more employees.

One of Mr. Pease's constituents had talked to him, and Mr. Pease has been called away and wanted me to ask this question. The constituent had suggested that a per capita or county allowance be taken from the Federal share of the social service payments, especially AFDC and food stamps, to be used to pay the local law enforcement agencies to investigate fraud in these programs.

And the suggestion was made because, the constituent said, he felt the local welfare agencies get too close to their clientele and either ignore or condone these problems. And so I guess my question to Mr. Pease, or Mr. Pease's question to his constituent, do local agencies unintentionally tend to overlook and condone the welfare program and it would be feasible to have money to local law enforcement agencies rather than having an in-house investigation? Mr. Heintz.

Mr. HEINTZ. I would be happy to offer comments. In Connecticut we are administering our program on the statewide basis and through the district offices. We are extremely concerned about fraud and have a very vigorous program to combat and deter fraud; and when we have suspected cases of fraud, to thoroughly investigate them and turn them over to a special unit within the State police, a welfare fraud investigations unit, whose entire job it is to

go out and do field investigations of any cases of suspected welfare fraud.

I think other States have similar kinds of special fraud units that work very closely with the welfare agencies, and I think that the current system is working well enough and I don't think that we necessarily need to go in the direction suggested by Mr. Pease's constituent.

Mr. HANCE. Mrs. Schramm, would you touch on that?

Ms. SCHRAMM. Yes, sir, I think we feel the same way in Delaware. As a matter of fact, we are a State-run human service agency as well, and we have a special investigative unit which is located in the office of the secretary of the department which does case sampling and computer-based matching with various other kinds of files with the specific purpose of identifying fraud and abuse in the system.

Those cases are prepared to a point and turned over to the State's attorney general's office, where they are vigorously prosecuted in the courts. So I don't believe that we would see the need for a local involvement in our State either.

Mr. HANCE. Would that be the same, Mr. Springer, in Texas?

Mr. SPRINGER. As you know, we have had an investigative unit that reports directly to the commissioner's office since 1976. We recently received recognition by the U.S. Department of Agriculture for our work in the food stamp area. There is a provision within the food stamp law that allows, on recoupment, the use of those funds as matched funds for contracts with local district attorneys' prosecution. When our investigators do the investigation of those cases and there is bona fide fraud cases, we then turn these cases over to the district attorney for prosecution. We have had very good interest from the local DA's, so I do not think there needs to be a change.

Mr. KRAUSKOPF. I would agree with what has been said also. We have a separate bureau of client fraud investigation, a part of the attorney general's office, which reports to me not only as commissioner but to the city's department of investigation, so it is an independent office. They are adequately staffed and are able to investigate those allegations that come in and have good working relationships with our district attorney offices for prosecution.

Mr. GOLDBERG. Mr. Hance, I would agree with my colleagues. I think first the present law and regs require suitable utilization with law enforcement officials, as Connecticut does, State attorneys general, as we do in New Mexico and as Delaware does and local district attorneys. So I think the need for Federal legislation is not there.

Mr. HANCE. I am sure that you have information and records on this. I would like for the five of you just to submit a short statement from your fraud division on the percentage of cases they file, and compare that to the number of cases that you have. I think that would be helpful to us. We get a lot of questions in this area.

When we passed this type of legislation in Texas, everybody testified in favor of some type of antifraud legislation. Something needed to be passed. But the ones that were really not involved in the day-to-day operation always testified that somebody was getting

food stamps, and it seemed like they were all driving Cadillacs from California and pulling a boat and a trailer.

[The following was subseqently received:]

STATE OF NEW MEXICO,
HUMAN SERVICES DEPARTMENT,
Santa Fe, N. Mex., August 24, 1983.

Hon. HAROLD FORD,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Ways and Means Committee, House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE FORD: Enclosed is a summary of the efforts presently employed by the Human Services Department in the area of fraud, abuse and error prevention. I am submitting this information in response to the request of the subcommittee made during my testimony before it on July 18, 1983. I trust that this information is responsive to that request.

Thank you very much for affording me the opportunity to appear before the Subcommittee.

Very truly yours,

JOSEPH GOLDBERG, *Secretary.*

Enclosure.

NEW MEXICO HUMAN SERVICES DEPARTMENT—FRAUD, ABUSE AND ERROR PREVENTION EFFORT

The Human Services Department considers the prevention of fraud, abuse and errors in the programs administered as a major priority. Currently, our existing efforts are being assessed to determine areas to be enhanced and improved for overall prevention. Our current efforts are varied. Listed below is a summary of the different efforts underway:

(1) HSD and the Attorney General have cooperated in a joint program to prosecute and deter recipient fraud. HSD has referred at least 119 cases of suspected recipient fraud to the Attorney General's Special Prosecutions Unit in the past 18 months. The agreement between HSD and the Attorney General is currently being renegotiated.

(2) The Department has referred two cases of suspected provider fraud to the Attorney General's Special Prosecutions Unit for immediate action. The Department's internal review units have identified and begun investigation of several other cases for future prosecution.

(3) The Department is negotiating a contract with the Attorney General's office for a provider fraud prosecutions unit. This will result in potentially large cost savings in the Medicaid program.

(4) In the area of prevention, an internal program integrity unit will act as a fraud prevention measure on program activities. The unit is in the planning stages and will probably be located within the Administrative Services Division. It will target the Food Stamp, AFDC, and Medicaid programs.

(5) The Department is undertaking a demonstration project designed to reduce food stamp error rates. This project, though not necessarily aimed at fraud prevention, will reduce program abuse and the number of ineligible individuals receiving food stamps. The project is scheduled to begin on September 1, 1983.

(6) An interstate contract is being finalized with Arizona to conduct quarterly computer matches of food stamp participants in both states. Additional interstate matches are being planned with bordering states, particularly Texas.

(7) County offices are routinely being provided with computer matches of "hits" received through Bendex, WDX and UCB.

(8) Our computerized food stamp system has built in matching for applicant households to determine dual participation in this state.

(9) We are finalizing a process with our Motor Vehicle Department to search on computer by name, applicants and recipients.

(10) Field staff, as the first line of detection, refer cases directly to our investigative unit.

(11) A fraud and abuse investigation unit exists within our Income Support Division.

(12) Income Support maintains a unit of management analysts to review QC and FSME reports to identify fraudulent or abusive practices and recommend corrective action.

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(13) Human Services participates cooperatively with the state and local Crimestoppers Programs.

(14) Through our ongoing Internal Audit process and accounting practices, efforts are made to control provider and contractor activities.

(15) The SURS unit in Medical Assistance continually reviews medical provider utilization claims.

(16) Criminal prosecution in New Mexico is the legal responsibility of local district attorneys. The Department continually maintains liaison with the district attorneys to improve prosecution referrals.

(17) Collections of overpaid cases are received and followed up by staff in the appropriate program areas.

(18) Social Services contracts are monitored by our contract staff and audits for compliance.

(19) Social Services maintains an Eligibility Review activity which reviews client eligibility and serves to detect possible fraud, abuse or errors.

(20) Contracted auditors identify areas to be improved upon in all programs and particularly, in Medical Assistance.

(21) Program managers in all areas look at activities to detect possible improper actions and identify deterrent procedures.

(22) Contracts are maintained with other states and organizations to share information regarding fraud, abuse and error activities. Staff participate in the National Welfare Fraud Association and USDA Project Awareness.

The Department is continuing to improve and search for updated methods in its prevention effort.

Mr. HANCE. Mr. Campbell, you may proceed.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Ms. Schramm, let me pursue, if I might, some of the points that you made on 2563. There are a couple of things I think that are excellent points. One is the timetable for application and site selection. I concur with your testimony that we have to have a timetable there, and it would be my intention to try to establish that in the legislation, and I appreciate that comment.

I am a little concerned and I would ask you, on your statement for States having the ability to choose among the criteria that should be met or the flexibility in implementing the criteria, how would they pick and choose without diluting the intent of the goal of the bill? Would there be, maybe two or three that would have to be met, and an option of others. What did you have in mind? I would appreciate hearing your comments.

Ms. SCHRAMM. Well, sir, I'm struggling here to find the criteria in the bill. Here they are, the development of a common set of terms for use in all programs, development of a comprehensive family profile, the establishment and maintenance of a single resources directory, and so on. To give you an example of one which I think might be very difficult for some States and some localities in the timespan of the demonstration, the consolidation of agency locations and related transportation services.

It might be that the Congress could learn a great deal from an interagency integration program which did not necessarily involve colocation of the services but used some other program integration methodology such as some of the other things. In other words, maybe it is not necessary to move all these agencies around and consolidate them in one place. Maybe some of these other aspects could be just as effective or perhaps they would be just as effective.

I think our feeling is that in a demonstration program one ought to have the flexibility to try a variety of different things and then see what works best.

Mr. CAMPBELL. That makes sense, and I certainly don't question it. Would you envision that perhaps in the various demonstration projects that perhaps certain of the criteria be tested in different locations? We would hate to be in a position to try to have everybody testing the same thing and nobody testing parts of it. Would that be what you would envision?

Ms. SCHRAMM. I think that could work very well. That is often, I think, the case, that it's done in demonstration programs, certainly, that I have been involved in at the Federal level, and that is some kind of a mixture that you would try at a couple of different local places and some other kind of mixture that you would try at a couple of other local places that would give you a comparison.

Mr. CAMPBELL. Would there be any one or more of the various criteria that are listed that you might say should be mandated in any project?

Ms. SCHRAMM. I personally—and some of your other witnesses may have some other views on this—I don't think that there is any one of these 10 or 11 things which are listed, I don't think we know enough to say at this point in history that any one of these is the factor which is absolutely necessary for improving the integration of services to people.

Any one of them would help, but to say that any one of them or any two of them were mandatory, I think that's really basically the heart of our position, that we don't feel that any one of them is.

Mr. CAMPBELL. The part that I really had in mind, and the one that I am, surprisingly enough, most concerned with, is a development of the unified budget and budgeting process, and the accounting system with the audit procedures.

I have found that in looking at programs, we hear all of the great statements about zero-based budgeting, and you cannot do any of it unless you know with what you are dealing.

I was, for instance, concerned that we might not have that type of information which I consider to be crucial. If, for instance, we were setting our goals, and we found 50 percent of the eligible people were receiving X-service, but we wanted to raise that to 60 percent, how do we do it, if we don't have that information in budgeting? I want you to comment on that.

Ms. SCHRAMM. Within each State we pretty much have a single budgeting process. I really did not understand from the bill that that was what was intended. Perhaps that objective could be achieved, and it certainly seems to me to be a valid objective.

If the demonstration were, as I indicated in my remarks, if there were a good independent evaluation, if the demonstrations were set up in such a way that certain cost information had to be collected as a condition of participating in the experiment, with that objective, it could be achieved in the same way, or you could achieve the purpose there.

I may, and I am not sure that others did not, have misunderstood the wording in the draft bill.

Mr. SPRINGER. We are attempting to bring together in a common eligibility system for services to the elderly the title XX and the medicaid program, to try to enhance the in-home services to prevent, and, as it were, to delay long-term care institutionalization, and since there has been some differences in the eligibility criteria.

The States now have more flexibility in title XX to do that, but it takes some time to move in that direction.

You can bring social services and medical services to recipients when you need them, but you need to have a system that has some common denominators.

As far as the budgeting, the one budgeting we generally thought about, was the budgeting factors as they relate to eligibility between AFDC and food stamps.

There are some budgeting problems that relate when you contract services out in local communities, and we find that if you have donated funds or local funds—United Way—each have their different accounting systems, and we have tried to get the funding streams locally together on a common budgeting system.

Mr. CAMPBELL. That is somewhat in the direction I am seeking.

We want to see what they are contributing and what the actual costs of our delivery are, and what it would take if you wish to try to raise the percentage of service to people.

I would appreciate any of the rest of the panel on this accounting side of it, commenting as to whether we ought to seek this.

Mr. HEINTZ. I would offer the comment, if you are truly going to integrate the services, you will need to have an integrated fiscal approach to them, but it is an extremely complex thing to implement, in some ways even harder to implement than some of the social work aspects of the proposal.

I come from a background of 8 years in the State's finance and planning agency before moving over to the department of income maintenance, and we were in the process of moving the State of Connecticut from a traditional functional budget to a program budget, which is much of the same kind of work that would have to occur.

It is an extremely time-consuming, costly, and complex process and rather than mandate it right up front in any of these demonstration programs, it ought to be something that is included as a long-term or multiyear kind of goal.

Mr. CAMPBELL. My term mandate may have been a little strong.

Any demonstration project has to have the flexibility for it to be a learning experience from which we can glean information to try to build for the future on improvement, and I was not thinking of mandating a set type of program. I was thinking of having a requirement in there that that be developed. It may be that someone invents a better mousetrap in the development.

Mr. GOLDBERG. We also in the Department of Human services in New Mexico, have been looking toward a more programmatic budget. We are discovering that one of the major problems is you have to develop data on which to predicate your budget, and it is time-consuming and expensive.

We support your bill, but I would be terribly fearful that you want to program it for success and you don't scare away a lot of States and communities, and if they look and say, we have to do this, and it is going to cost *x*-amount of money, and we have to make this type of investment in personnel and resources, it may scare a lot of people away, and that is the one reservation that I would have.

Mr. CAMPBELL. That is a good point, but the only other side I would say to that is I would not want a demonstration project that would not demonstrate something, and I have run into, in the past, in States, in other areas, where everybody jumped on a demonstration project as long as you did not have to have any criteria that were met, and you did not demonstrate anything, and used the money, but it did not demonstrate success or failure.

You cannot be afraid of failure. We can learn from failure just as easy as we can learn from success.

I would not want to make it so loose that the conclusions that were reached really were not worth having.

Mr. GOLDBERG. You want to make sure the money that is spent here is to find out information.

Mr. KRAUSKOPF. The legislation would enable us to simplify the administration of these benefits programs, for example, just being able to have eligibility for food stamps and AFDC being determined at a single point instead of being separate determinations which are complicated for the workers on the line, and that would be a very important benefit coming from the legislation, and you could measure the demonstration in terms of reduced errors in that area, expedited processing for the clients, and probably fewer workers to some extent.

Mr. CAMPBELL. I appreciate that, and I certainly appreciate the panel and your testimony.

Mr. HANCE. When we had the hearings in the Rio Grande Valley of south Texas, the sales tax receipts and revenues in all these cities had dramatically dropped. What happens with title XX funds if the State requires local matching funds and if some of those cities have no money to provide this match?

Mr. SPRINGER. The old title IV-A and the title XX that came along prior to the block grant had a matching requirement and in Texas we had used that as a leverage vehicle to get local communities to participate in the delivery of services.

At this point in time, we have, in fact, waived that in some instances, and have found that maybe the requirement for a match needs to be reexamined in the next year or two. We are talking with our provider groups. It means the money that is available from the State to a local community can be available for x-amount of dollars without generating local dollars.

Mr. HANCE. When we talked about sanctions this afternoon—I think that Barbara Kennelly, one of the members of this committee, is very concerned about the problems that Connecticut would have with the sanctions at the present time. I would like for you to submit a letter to the committee and the Members on your special problem.

Mr. HEINTZ. I would support very strongly what Mr. Goldberg has offered here this afternoon as the State's position on sanctions.

Connecticut is one of the six States to receive a bill for a sanction of $1.3 million in the food stamp program from the Department of Agriculture. This goes back to problems that occurred in 1981, which they now want to bill us for in 1983.

If they are successful in reducing our funds by that amount of money, it will really devastate our ability to maintain our food stamp program and, in fact, will drive their rates up.

We do have a real problem.

Mr. HANCE. Thank you very much. We appreciate the panel being here.

[The following was subsequently received:]

TEXAS DEPARTMENT OF HUMAN RESOURCES,
Austin, Tex., July 22, 1983.

Hon. HAROLD E. FORD,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN FORD: You asked for more information about the position I took in testifying against deducting dollars from AFDC and Medicaid grants to fund local investigation and prosecution efforts. There are two separate issues and I will attempt to explain my position on both.

Considering local budgets, the economy and the pressure these conditions have put on state agencies to provide services to the poor, a reduction in federal funds for grant benefits would have undesirable consequences. Regardless of the reason, cuts in these programs will result in the needs of the poor not being met. In many instances, including Texas, the state dollars to take up the slack are simply not available.

We do recommend that federal funds be made available for investigation and prosecution of AFDC and Medicaid Program violations at the seventy-five percent federal and twenty-five percent state match rate. This is the same break on funding that is already in place for fraud control efforts relating to medical providers and food stamps. In addition, we suggest that legislation be enacted to authorize states to use administrative hearings and be authorized to disqualify violators for intentional program violations in cases that are less suitable for prosecution. These changes would provide states the much needed funds for fraud control efforts in Social Security Administration Programs and bring them in line with procedures available in managing the Food Stamp Program.

During the ten months through June 30, our Office of the Investigator General has investigated 9,402 cases of suspected fraud and determined theft amounts totaling $6,846,223. Of these, 2,710 were AFDC with a theft amount of $2,258,592, while 6,317 cases involving $4,495,615 were food stamp cases. A total of 3,283 food stamp administrative (fraud) disqualification hearings were held; 596 of these clients were also receiving AFDC. The 1,286 court adjudications represent a 113 percent increase over last year, 523 of these are AFDC cases. Of the $1,132,385 in restitution collected, $347,080 is AFDC and recipient medicaid.

In reviewing those statistics it is important to note that the increase in court adjudications is largely a result of our using USDA's seventy-five percent match funds to contract with prosecutors for enforcement of food stamp violations on a case-rate basis. (We began contracting last September and have seventy-nine agreements signed involving over 100 counties.) Only 100 of the AFDC court adjudications involved suspects who were not getting food stamps. Also, at least 596 clients with combination AFDC and food stamp cases had the disposition of their overissuance fragmented by the food stamp portion being subjected to an administrative hearing while the AFDC portion was handled in a different way, usually by arranging restitution.

I apologize for the length and technical nature of this response; however, it is important to make our needs clear. States are not prepared to handle cuts in grant benefits without creating client suffering. At the same time, a clear need exists for enhanced (seventy-five percent) funding and authorization to conduct administrative hearings in Social Security Administration Programs if we are to be consistent and get maximum effectiveness in our fraud prevention and control efforts.

Thank you for the opportunity to clarify our position. If you have additional questions or need more information, please let me know.

Sincerely,

MERLE E. SPRINGER,
Executive Deputy Commissioner.

Chairman FORD. The committee will call up State Representative Kirsh, and Prof. William J. Page, Jr., the Department of Public Administration and Social Work, University of Florida, Tallahassee, Fla.

Mr. CAMPBELL. Mr. Chairman, Mr. Grose has also come with this panel. Senator Drummond was unable to come.

Chairman FORD. We will be happy to have them join at the panel table.

Mr. CAMPBELL. With State Representative Kirsh, we have Philip Grose, Paulette Redford, administrative assistant to the commission; Dr. Mary Littlejohn; Dr. Jack Bloedorn, who is the site manager; Mr. Larry Fernandez, director of agency evaluation; and Prof. Pete Page, former secretary of health and rehabilitative services in Florida, and I think that is everyone.

I don't think I missed anyone in the group. We welcome them this morning.

Chairman FORD. Would Representative Kirsh identify himself?

Mr. KIRSH. Herbert Kirsh, South Carolina House of Representatives.

Mr. Chairman, members of the committee, I am sorry Senator Drummond could not be here, but I would like to read his report, and I will have another one to offer as testimony, too, in our project.

Chairman FORD. We will take his testimony.

I have it before us, and we will make his testimony a part of the record.

STATEMENT OF SENATOR JOHN DRUMMOND, SOUTH CAROLINA GENERAL ASSEMBLY, AND CHAIRMAN, STATE REORGANIZATION COMMISSION OF SOUTH CAROLINA, AS PRESENTED BY HERBERT KIRSH, STATE REPRESENTATIVE

Mr. KIRSH. Speaking for Senator Drummond, of course:

My name is John Drummond, and I am a State senator representing Greenwood and McCormick Counties in the South Carolina General Assembly. I am also Chairman of the State Reorganization Commission, which has overseen the conduct of a human services demonstration project in York County, S.C., for the last 3 years.

I am here in support of H.R. 2563 by Congressman Carroll Campbell and others because of the experience we have had in South Carolina with our demonstration project. This bill would authorize and provide funding for pilot projects around the country for further work toward the integration of human services delivery systems.

Others who are here today can provide you with more of the details and technical information about the human services project we have had in York County for the past 3 years. I am here as an elected legislator who—like the members of this subcommittee—struggles every year with the problems of adopting a sound and responsible budget.

In no area of government are those problems any greater than in human services. As all of you know, programs to provide for these human needs grew and expanded at an unprecedented rate during the 1960's and 1970's.

In South Carolina alone, funding for programs in the area of human services grew from less than $50 million in 1961-62 to more than $1 billion in 1981-82. We have a chart that shows this comparison.

The programs not only grew tremendously, they produced a complex system of agencies and delivery systems which were highly difficult for States and local governments to understand fully. When we began the York County project, one of our first discoveries was that there were some 32 separate sources of Federal funding going into York County for human service programs. These funds were being administered by a wide assortment of State, local, public, and private organizations, many of them with their own program designs, funding formulas, reporting requirements, and so forth.

It leads one to believe that if we were to start all over tomorrow setting up an efficient system for the delivery of human services, we probably would not do it this way again. The fact is, of course, that we cannot start over. But we can—and should—try to overcome some of the built-in obstacles and impediments to full cooperation among agencies and levels of government which now exist.

Let me be more specific. Government—just like the private sector—needs to maintain ongoing research and development operations. We need to be constantly in search of better ways to deliver services, and sometimes that requires an atmosphere of demonstration or experimentation. In recognition of this need the South Carolina General Assembly created and funded the human services demonstration project in 1978. It was and is our hope that out of this project would come better ways to manage an increasingly complex system.

In York County, for example, we learned early that we could not start the system all over again and build it from the ground up. We did learn, however, that there were many areas of common interest and concern among the agencies, the elected officials, the members of the community, and others in which significant progress could be made.

We therefore established a clearly defined and understood set of tangible goals to which we would dedicate our full efforts. The major objective was to create a system that would give us the most efficient management of resources, while also meeting the needs of our citizens at the service delivery level, which is where it really counts. Those goals to achieve that objective included such items as a consolidated transportation system, the joint location of agency offices, the development of common terminology to define services, the establishment of a single resource directory, the development of joint budgeting and planning systems, the decentralization of certain program administration, a single audit process, and others.

Out of it all, we have not built the ultimate model for human services delivery. Far from it. Nor have we scored a victory in every undertaking of the project. Demonstration projects, by their very nature, involve trial and error and must allow something of a license to make mistakes. We have certainly made more than our share of those.

But the important part of any demonstration is that you advance things as far as you can, and hope that they will be utilized and picked up by others. Demonstration projects have been taking place in the area of human services for years, and many were helpful to us in our work in York. In turn, I am firmly convinced that what we have developed will make a significant impact elsewhere

in our State, and hopefully in the Nation. Adoption of this legislation by the Federal Government will certainly provide additional guarantees that the work in these areas will continue, to the mutual benefit of all.

It will also be an important signal to States and local governments that the Federal Government—which is often made a scapegoat for regulations, guidelines and redtape—is taking initiatives and leadership to improve these complicated human services systems. In South Carolina, we are grateful for the funding assistance we have received over the last year from the discretionary grant program of the Secretary of Health and Human Services, and we have viewed that as not only an important source of funding, but a sign of good faith of the interest and support of the Federal Government in our efforts.

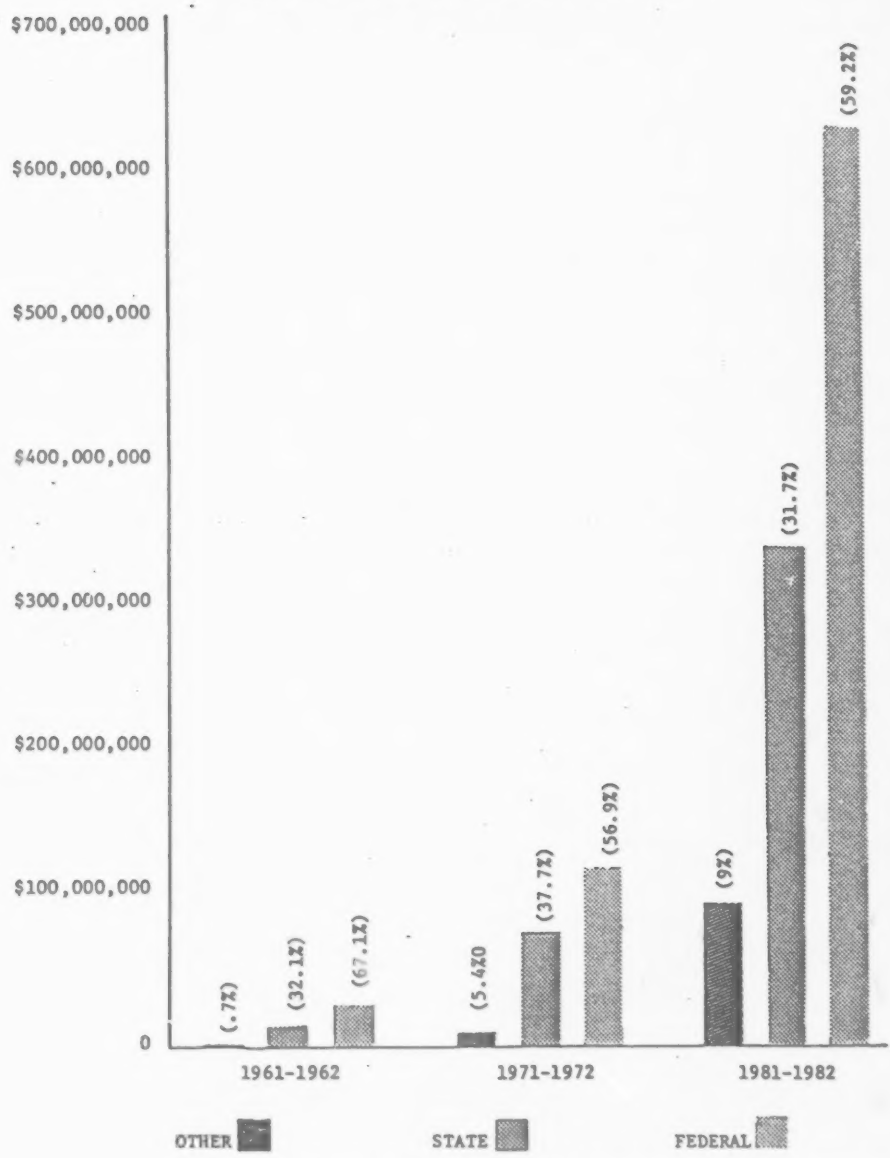
This is an extremely good time for the kind of research and development effort which could be triggered by pilot projects. It is clear that initiatives at the Federal level are already simplifying and decentralizing, to some extent, the funding process for human services and other programs. It is important, I believe, that these major policy decisions be accompanied by the kind of management and technology advancements which can make those policy decisions truly effective.

Thank you.

[The attachments to Senator Drummond's prepared statement follow:]

TABLE 1

STATEWIDE COMPARISON OF FEDERAL, STATE AND OTHER FUNDS
RECEIVED BY HUMAN SERVICE AGENCIES, 1961-1982
(BY DOLLAR AMOUNT AND PERCENT OF TOTAL)



( ) Number in parenthesis equals the percentage of total dollars

TABLE 2

STATEWIDE COMPARISON OF FEDERAL, STATE AND OTHER FUNDS
RECEIVED BY HUMAN SERVICE AGENCIES, 1961-1982
(BY DOLLAR AMOUNT)

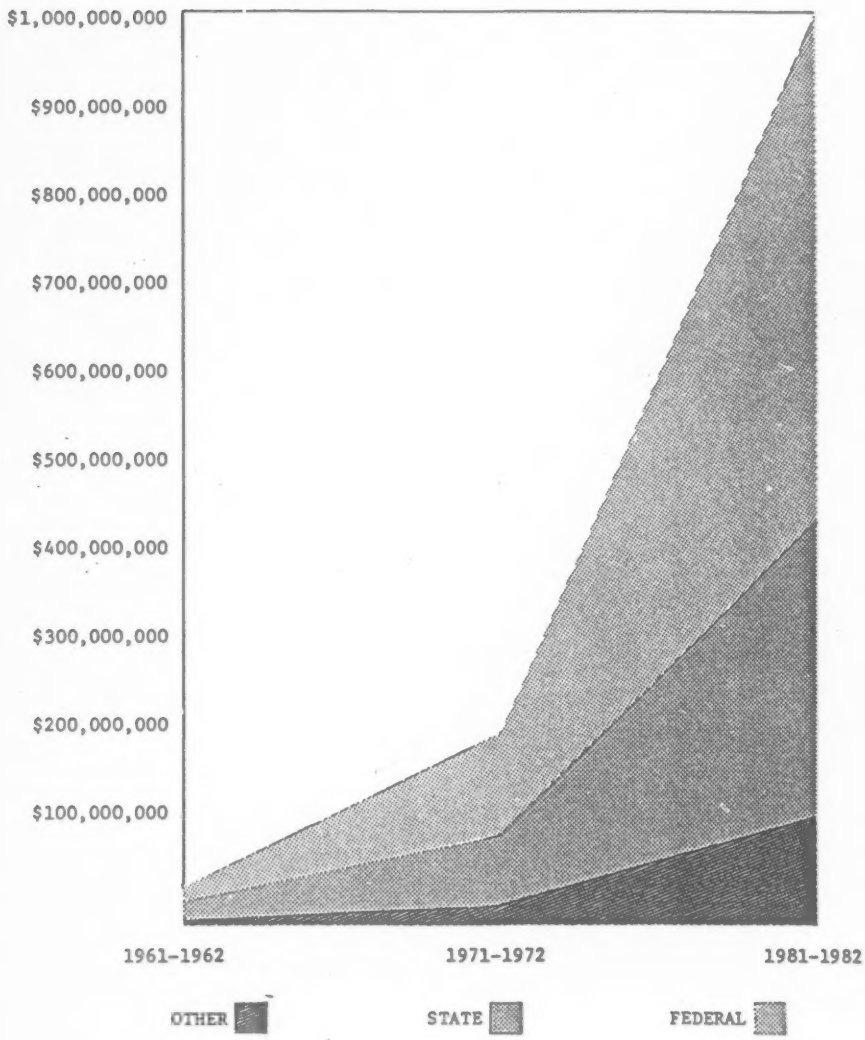


TABLE 7

AFFECTED EXPENDITURES BY SOURCE AND AGENCY FOR WHICH COUNTY FOR FY 83-84*

(TOTALS DO NOT INCLUDE DIRECT PAYMENTS TO CLIENTS)

FUNDING SOURCES	AGENCIES								
FEDERAL	DSS	DHEC	DMH	SCDAODA	AGING	DVR	VA	BLIND	TOTAL BY FEDERAL
MEDICAID TITLE XIX	29,779								29,779
AFDC TITLE IV-A	67,356								67,356
FOOD STAMPS (TITLE VIII)	102,924								102,924
SOCIAL SERVICES (TITLE XX)	1,047,468					128,711			1,176,180
REFUGEE RESETTLEMENT	634								634
CHILD WELFARE (TITLE IV-B)	8,965								8,965
AFDC-FOSTER HOME CARE (TITLE IV-E)	318								318
WORK INCENTIVE PROGRAM (TITLE IV-C)	22,835								22,835
CETA	24,711						94,069		118,780
USDA	56,001				50,745				106,746
VENEREAL DISEASE CONTROL		17,085							17,085
IMMUNIZATION CONTROL		10,015							10,015
DIABETES CONTROL		11,781							11,781
HYPERTENSION 317-A		38,618							38,618
MCH-C, INFANT & CHILDREN		1,695,018							1,695,018
HEALTH (TITLE V)		116,065							116,065
SSI-DISABLED CHILDREN'S PROJECT		26,268							26,268
SSI-LEAD POISONING		76,052							76,052
MEDICAID HEALTH SERVICES		141,380							141,380
MEDICARE		413,308							413,308
FAMILY PLANNING (TITLE X)		201,012							201,012
INDIRECT COST RECOVERIES (DHEC)		109,824							109,824
TITLE III			356,139						356,139
MENTAL HEALTH BLOCK GRANT			35,191						35,191
ALCOHOL FORMULA FUNDS				15,778					15,778
DRUG FORMULA FUNDS				12,776					12,776
SOCIAL SECURITY ACT					15,210				15,210
OLDER AMERICANS ACT TITLE III-B					61,312				61,312
OLDER AMERICANS ACT TITLE III-C					139,107				139,107
OLDER AMERICANS ACT TITLE V					76,300				76,300
ACTION RSVP					20,547				20,547
VOCATIONAL REHABILITATION SECTION 110							822,240	33,616	500,856
STATE	416,520	1,577,698	266,228	220,337	25,337	91,296	477,774	8,405	2,891,958
COUNTY, CITY, LOCAL GOVERNMENT	154,023	50,250	73,319	38,500	83,504				404,836
OTHER	181,448	126,631	401,805	62,930	36,375		96,734		905,690
GRAND TOTALS	2,100,963	4,244,515	1,139,071	363,549	124,879	220,007	1,555,238	42,021	10,296,055

*SOURCE: THE EIGHT YORK COUNTY AND STATE HUMAN SERVICES AGENCIES.

Mr. KIRSH. Those are the remarks of Senator Drummond, Mr. Chairman.

At this time, I would like to make a few remarks.

Chairman FORD. You may proceed.

STATEMENT OF REPRESENTATIVE HERBERT KIRSH, SOUTH CAROLINA HOUSE OF REPRESENTATIVES, ACCOMPANIED BY MARY T. LITTLEJOHN, JACK BLOEDORN, LARRY FERNANDEZ, AND ROBERT BRIDGES, ALL ON BEHALF OF THE STATE REORGANIZATION COMMISSION OF SOUTH CAROLINA

Mr. KIRSH. My name is Herbert Kirsh, and I am a member of the South Carolina House of Representatives from York County. I also serve as chairman of the project managing agency, the local board which has operated the human services demonstration project for the last 3 years.

I am here also to testify in support of H.R. 2563 by Congressman Campbell and others, and, like Senator Drummond, I base my support on the experience we have had in York.

If I may, I would like to direct my remarks toward what might be called the structural or organizational aspect of projects of this nature. This bill, in section 1135–C, on page 4 of the printed bill, takes into consideration the role and participation of local citizens and communities. I think that is an important feature, and certainly one of the strengths of the bill.

We learned very early that local operation and management of our project was highly important for many reasons.

As Senator Drummond pointed out, the administration of human services programs has become highly complicated over the last few years. In addition to the many separate Federal programs, it is also important to realize that States, themselves, very often create agencies and bureaucracies which take on many varieties at the local level. We not only have 32 separate Federal funding sources in York County; we had 8 State agencies which had different legal and administrative linkages to the local level, and which very often served differing multicounty service areas.

In other words, all of the complexities of the State and Federal human service delivery systems came to rest ultimately at the local level. It is, in my opinion, the best—and also the most difficult—place to learn about these programs and their delivery system.

Our board has been comprised of a cross-section of leadership; eight local agency heads, representatives of county government, the local legislative delegation, private provider groups, and citizens in general. The structure has tended to bring together most of the major influences on the management of these programs.

Most importantly, we have been able to view the human services system through the practical eyes of the people who have to live with and administer these programs on a day-to-day basis. While we have been involved in a research and development operation, the products of that operation have been subjected to real-world operating conditions. You might say they have received instant test runs, and their strengths and weaknesses can be readily observed.

In that atmosphere, we think we have taken some important steps forward. One of the most significant has been in the area of

planning and budgeting at the local county level. For the last 2 years, the human services agencies at the local level have been able to make a joint budget request to the county council for their needs for the coming year. The request has been based on the services to be delivered in York County to the citizens of our county utilizing the locally raised tax revenues.

Prior to the demonstration project, such a presentation would not have been possible. It would not have been possible until the agencies were able to develop a common set of terms, common units of service, commonly accepted cost data and procedures, and client information based on specific counties.

These were all components of the demonstration project, and, believe me, they were not as easy to develop as they may sound. I have brought along copies of the work products so that members of the subcommittee and staff may look them over.

Another specific outgrowth of the demonstration project has been the development of a local human services transportation system. Prior to the project, there were as many as 14 separate human service transportation systems in the county, utilizing around 60 vans. Our county was similar to many others in the Nation, in which the separate nature of many human service programs had led to the establishment of many separate delivery systems. Through the efforts of the demonstration project, a new consolidated transportation system has been developed which will serve practically all the human service agencies and clients, with about half the vans previously requested. Although the system has only been in effect since July 1, we already believe it will produce significant savings, with the result being additional service or new moneys for other services, or both. Under H.R. 2563, such savings would be made directly available to the agencies for more service delivery, and I believe that provision is an important incentive.

I have mentioned only two of the outcomes of the project, and there are, of course, many more. But my purpose here today is not to give you a detailed account of the York County project. Like Senator Drummond, I agree that we have also made a number of mistakes, and that is the way any demonstration should work.

What I have tried to get across, however, is the fact that demonstrations should not just be exercises in research and report-writing. They should lead directly to specific and tangible changes in the system. The best way I know is for the local communities, themselves, where the services are actually received and delivered, to be directly involved in the development, the testing, and the ultimate implementation of these new systems.

I think all of us would agree that it is a long and painstaking process. As Dr. Littlejohn, Mr. Bridges, Dr. Bloedorn, and others here with me would agree, every part of every project must be carefully planned, organized, and carried out. If I were to say that we have put in hundreds of hours of volunteer time to this project, it would be an understatement. And if I were to say that we have had our disagreements and conflicts, that probably would be putting it lightly.

But I think that is the only way to get anything important and constructive done. So I say to the subcommittee that H.R. 2563 is extremely important legislation, and I support its passage. Estab-

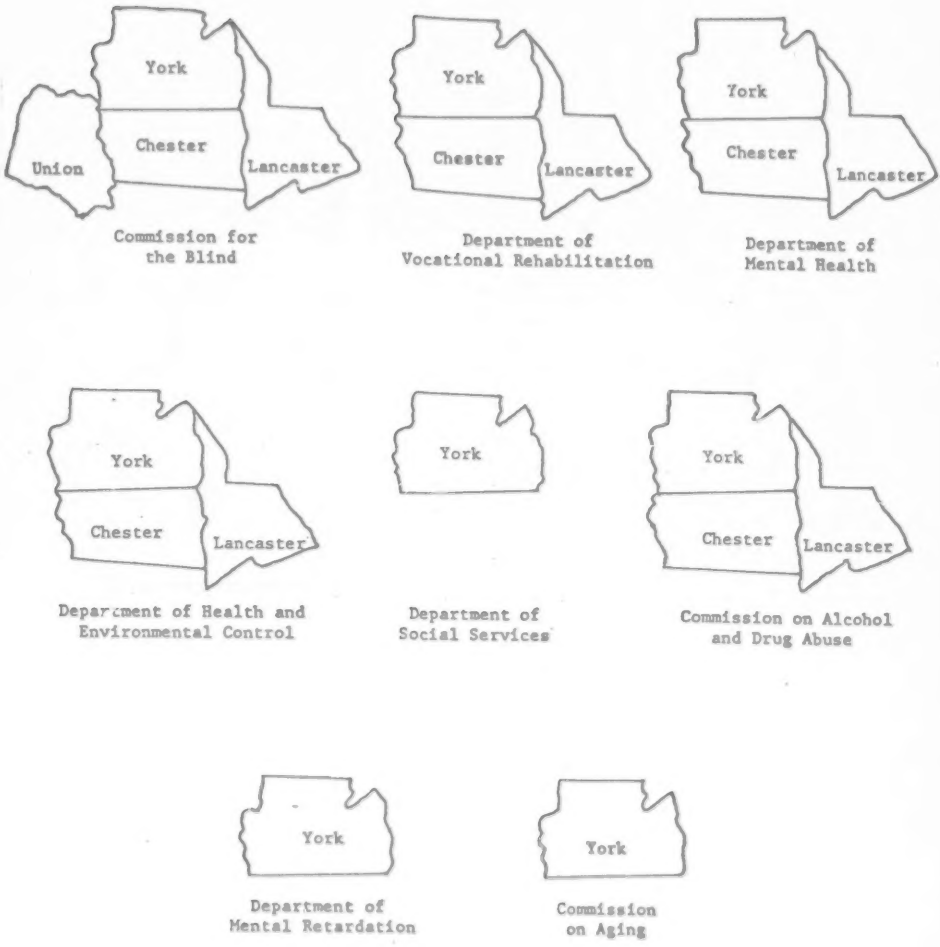
lishment of pilot projects, in itself, does not guarantee success. But without such demonstrations and pilot projects, I think you can guarantee an unfortunate acceptance of the status quo.

Thank you.

[The attachment to Mr. Kirsh's prepared statement follows:]

DIAGRAM 1

COUNTIES SERVED BY PHA AGENCIES



SOURCE: PHA Site Office Survey

Chairman FORD. Thank you, Mr. Kirsh.

Mr. Grose, I understand that you would like to add on, add some comments.

STATEMENT OF PHILIP G. GROSE, JR., DIRECTOR, THE STATE REORGANIZATION COMMISSION OF SOUTH CAROLINA

Mr. GROSE. Thank you, Mr. Chairman.

My name is Philip Grose, and I am director of the State reorganization commission. I would like to follow up on Senator Drummond's and Representative Kirsh's testimony in support of H.R. 2563 with information on the structure and background of the South Carolina project.

As Senator Drummond pointed out, the York County project was an initiative of the South Carolina General Assembly in 1978 to develop an integrated human services delivery system. Since its inception in October 1980, the project has been funded primarily with State appropriations, although for the last year we have received one of the Secretary's discretionary grants from the Department of Health and Human Services.

By statute creating the project, the general assembly mandated the participation of eight State agencies—the department of social services, the department of health and environmental control, vocational rehabilitation, the commission for the blind, the commission on aging, the commission on drug and alcohol abuse, and the departments of mental health and mental retardation. The legislation vested the authority for operating the project in the local project managing agency as was described by Representative Kirsh, and also created a State level committee of the same agency counterparts and others to assist with the implementation of the project.

The State reorganization commission, which is a legislative research body, is charged with the responsibility of overseeing and evaluating the project, and making recommendations to the general assembly for any statutory changes which might grow out of the project.

As Representative Kirsh pointed out, the strength of the project has been at the local level with local leadership. Also, as Senator Drummond pointed out, we learned quite early that we could not start all over again and build an entirely new system. As our friends from Florida found out several years ago, court cases in that regard can take years to settle, and we had neither the time, nor the inclination, to undertake that sort of approach.

So we spent about a year planning the project, setting it up, and determining what specific goals we would establish for ourselves. The conscientious decision was made early last year to focus our attention on the development of systems which could form a technological foundation on which later projects could be based.

It was also our decision to take advantage of the rapidly advancing computer technology, as well as the fact that such equipment and technology were becoming economically feasible for many additional uses.

We thus established four clearly defined areas in which we would conduct demonstrations, most of those efforts supported by

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strong computer-based efforts. Representative Kirsh mentioned two of them earlier in his remarks—the development of a consolidated human services transportation system, and an information system for planning and budgeting purposes for local agencies and county council. We have also conducted a limited demonstration of locating five different programs and agencies in a single office, and we established as our fourth goal the local administration of the social services block grant—title XX—program.

As both Senator Drummond and Representative Kirsh pointed out, we have met with some successes, and we have had our shortcomings. Largely through some unavoidable logistical and financial problems, we have not been able to develop a single office location for the eight agencies in York County, although it continues to be an important goal for the agencies and the counties. Also, we have simply run out of time in other areas, and we hope that what we have accomplished can be continued elsewhere.

I might say at this point, while it is dangerous to get into any kind of projected or speculative savings, that there are certain areas where we hope to have savings, or cost avoidance, and one of those is in the area of transportation, in which a significant reduction in the number of vans has been achieved. We believe that perhaps up to $150,000 a year could be saved with no reduction in the level of services.

It would include, of course, greater use of each vehicle, consolidation of routes, transporting clients from different programs in the same van on the same routes.

Mr. CAMPBELL. Mr. Grose, that would be a savings out of what amount now expended on vans?

Mr. GROSE. Between $450,000 and $500,000. Isolation of transportation costs is difficult because some agencies have not accounted for that as transportation.

It is a little bit speculative, but if this is successful, 30-to-40 percent savings are achievable.

Mr. CAMPBELL. Thank you.

Mr. GROSE. In the area of co-location, as Mrs. Schramm said earlier, this is a hard one to do in 3 years. The length of leases, availability of buildings, and that sort of thing does inhibit you in that area.

We feel we save $2,000 to $3,000 a year with one agency that is located with another one.

There is potential for savings in the area of service delivery which was mentioned by the former panel, which requires a different kind of information and is very often available.

Now, in order to put services out on contract, you have to have a little more sophisticated cost system than many agencies have right now, but we estimate in some areas 30-to-50 percent savings could be achieved.

In the local administration of the social services block grant, the local cost for 1 year was about $55,000.

Now, if we took the share York County had of the State department of social services' administrative cost, there was considerable savings there, but that is not money you go and put your hands on, because the State agency was very cooperative in letting us experi-

ment with block grant administration at the local level and was not able to reduce its own immediate costs.

We had a consolidated auditing system. Again, there is no immediate cost savings, but we think better accountability. In terms of consolidated budgeting at the county level, that is probably a better cost control mechanism than it is a cost savings mechanism.

A group home consolidation and consolidation of mental retardation boards at the local level are too early in their development for us to know what the savings would be.

We do believe, however, we have made significant advances in the area of technological support systems. We have endeavored to build an information base which can be used for everything from client applications and records to cost data and planning and budgeting information.

In other words, there is now a direct link between the services being delivered and the financial requirements to support those services. The same information components drive both the service delivery system and the financial information systems.

The impact, we believe, can be a significant reduction in paperwork and administrative costs, as well as a better information flow for client service and financial planning and recordkeeping purposes.

Such a link-up, we believe, makes it possible to improve client services across agency and program lines, and ultimately to base service planning and budgeting on measurable and reliable unit costs. Ultimately, this kind of link-up cannot only improve government's own internal accounting and budgeting procedures; it can also provide a basis by which government can rationally evaluate the cost of delivering its own services and compare it with the cost of contracting with the private sector for services.

Others here can answer specific or detailed questions about our project and its demonstration. The York County project completes its third year in October 1983, after which time there will be an extensive period of evaluation and reporting, as well as the development of legislative recommendations for the upcoming year.

It has been our experience that demonstration—or pilot—projects of this nature can be productive and can be highly beneficial to all elements—legislators, agencies, local communities and clients, themselves. We have chosen to use our project for the development of technological systems, and we believe that some of our products could be extremely helpful and useful to others should H.R. 2563 be adopted and funded.

Thank you.

I have spoken in a general way about the work products of many, many people, some of whom are here and represented today. If you have later questions, I would refer them to Dr. Bivedorn, who has been our technical assistance specialist with computer work, and Dr. Littlejohn, who has been a primary leader both sometimes for and against our proposals.

Mr. Bridges is our site office manager, and Larry Fernandez, our State office coordinator.

Chairman FORD. Thank you.

Professor Page.

STATEMENT OF WILLIAM J. PAGE, PROFESSOR OF PUBLIC ADMINISTRATION AND SOCIAL WORK, FLORIDA STATE UNIVERSITY

Mr. PAGE. Thank you, Mr. Chairman.

I am glad to have the opportunity to express some views on H.R. 2563. I hope that the Congress will authorize the proposed pilot projects.

I was reminded, as I came into this hearing room, that the massive reorganization of the human services system in Florida began and continued primarily as a legislative initiative, and that has become something of a model.

Respecting the time pressure, I will, if I have not finished, simply stop within 5 minutes.

My main interest is to suggest some criteria that might be established before anyone can say that there exists a system of a new sort.

I like the emphasis in this bill, because it is on service delivery.

The use of the rather ambiguous term services integration has at least two liabilities. It creates the impression that the public goal here is a process which is not the whole story.

Second, if you interpret that literally, it suggests to some sensitive professionals that the same person who does immunizations in the public health clinic is likely to be doing mental health consultation with disturbed persons, and that is frightful to them. Nothing, of course, should be farther from the expected outcome.

A majority of the States have taken some steps in this direction.

The last tally I saw indicated that 38 States in the United States had consolidated or integrated some of their system components.

It is partly out of that experience and partly out of my own experience and partly out of the literature on many programs that I have not actually seen that I would suggest some criteria for unified human services.

First, the policy environment must provide a mandate for the design and operation of the system. One of the reasons I mention that is that the Federal mandate, whatever it is, provides only a part of the necessities here.

We have States heavily involved, as we do in most cases, and particularly where you have States setting policy, but the administration and delivery of services are heavily local activity.

It becomes absolutely essential to have a mandate that will survive that intergovernmental linkage.

The second criterion that I would suggest is the scope of the programs to be included must be broad enough to make the project worthwhile and to allow demonstration of improved service delivery in a whole system.

The loss of any one programmatic possibility will not destroy a demonstration, but in the aggregate, there must be represented something of a complete service. Corrections might be left out. Employment security services might be left out, and that can be done. Some States have done it. Others have not.

The third criterion: there must be unified and comprehensive management of the system, and that mandate must be realized.

It is wishful thinking to believe that administrators of existing programs will coordinate themselves, and be able to plan a consolidated system.

There is no way that that is likely to happen. I might say that consolidated management does not rule out decentralization.

In the experience that runs deepest in my mind at the moment, consolidation and decentralization occurred simultaneously.

The fourth criterion, administrative support subsystems, must be competently designed and technically adequate and responsive to system needs.

I am talking about the human resources management, or the personnel system, general administrative services, financial management, and that sort of thing, plus information handling to which Mr. Grose just referred, and monitoring and evaluation. If it is considered in that same package, it can be considered separately.

The fifth criterion that I would suggest is that the human service system must be capable of delivering necessary services in a manner which serves policy-makers, clients and the general public.

That, to me, would include collocation of agency operations as a necessary step toward client satisfaction and also toward public approval and efficiency in operations.

The collocation proposition would be subsumed under integrated service delivery.

I would suggest a provision be added to H.R. 2563, so that the Secretary of Health and Human Services would require a plan for a computerized client information system to be put in place or to be developed during the project period as a condition of approval of those project applications.

I feel very strongly about that, because I know the cost of not having one that is adequate to support reasonable management.

I would voice a cautionary note on savings, particularly if one just generalizes about savings.

A system revision will cost you more money in some places, and you will be able to save money in other places. In Florida, we got a lot of help; the legislature deleted 408 positions, as we began the massive reorganization we have a name for that; we call it productivity cuts.

Those, mind you, were all headquarters, administrative positions, and it was doubly costly because, as we started decentralizing, we lost other senior administrative personnel who were afraid they would be transferred to the field, so they took other jobs.

Experience suggests that the provisions of H.R. 2563 which would require the HHS Secretary's consultation with and some waivers on the part of other Federal agency heads, will complicate the implementation of the proposed amendments, though I understand why that kind of language is necessary in this sort of legislation. Cabinet heads simply don't have the time to do it themselves. If they did, I would be more confident, but I have spent too much time on interdepartmental task groups to believe that this will work readily and easily.

To make sure that it does, I would suggest that the best preventive medicine for this kind of bureaucratic pathology is a strong congressional statement of intent and assiduous exercise of congressional oversight.

A remaining concern refers to the relatively light and general emphasis on assessment and evaluation. That emphasis is altogether appropriate, of course, but opportunities might have accrued from some work we did in the sixties and seventies, but we lost the opportunity for learning simply because we did not do well-planned, well-designed evaluation. There was no basis on which to make judgments about the merits of many of those projects.

There are two major deterrents to objective assessment. First, the indeterminate technologies that we use: when you do something in the name of social work or public health, we don't always know what the outcome is going to be. That is one thing.

The second cause in my mind is that there is a nearly universal failure to set goals and define objectives sharply, and that is fairly characteristic of human service systems. Those problems are solvable.

There are some other suggestions which are in the formal statement that I have given you, but I would simply reemphasize the opportunity for useful evaluation will be lost unless there is some baseline data—that is, what was the situation before we started?

In no situation of which I am aware has that been done, and these pilot projects would really help the Nation to learn I suggest to you that the Nation cannot learn unless data are in place and are available for evaluation on a before-and-after basis. And I urge that some provision be made for that.

Again, I appreciate the opportunity to appear.

I would like to respond briefly if you have questions. I do believe, as John Gardner has said, that this is the most important work of our time.

Chairman FORD. The Chair would like you to know that we will take your entire printed statement and make sure it will be made part of the record.

[The prepared statement follows:]

STATEMENT OF WILLIAM J. PAGE, PROFESSOR OF PUBLIC ADMINISTRATION AND SOCIAL WORK, THE FLORIDA STATE UNIVERSITY, TALLAHASSEE, FLA.

SUMMARY

The statement is based on a managerial perspective. The presenter's experience includes: direct service delivery; national, state, and local administrative experience; and university teaching of human services and public administration.

Experience and pertinent literature are the bases for suggesting five criteria for integrated human service delivery: A policy mandate for intergovernmental design and action; broad programmatic scope; unified organizational structure with professional managerial leadership; consolidated and capable management support subsystems, including a unified evaluation system; and ready access for clients, including colocation of service delivery units.

Components of an integrated service system are generally supported as provided on pp. 2-4 of H.R. 2563. Comments are offered on specific components.

Uniform application and eligibility determination have not been achieved in any state delivery systems integration project. Unification is dependent on Federal and related state statutory changes but waiver of variant requirements could be provided through the existing provision of H.R. 2563.

A recommendation is made for including a requirement for a computerized client information system in each pilot project. Requisite technology is available at relatively low cost.

The financial incentives offered in the bill would enable the desired changes. Some systems integration efforts in the past have been hampered by insufficient resources. Significant savings should not be expected in the early phase of pilot

project implementation but should be expected after normal startup problems have been solved.

Doubts are expressed about the efficacy of the provision for Federal interdepartmental consultation and cooperation. Clear expression of Congressional intent and rigorous oversight are recommended.

Evaluation methodologies in human services are deficient in application. Adaptation of existing methodology can be made and should be applied in the pilot projects. Four recommendations are offered: Define evaluative expectations in H.R. 2563; stipulate a goal-directed planning process; stipulate that disinterested and competent sources of evaluation be used in evaluation of project performance; and stipulate that baseline data be collected prior to beginning any pilot project.

STATEMENT

Mr. Chairman and Members of the Committee: I am honored by the invitation of the Subcommittee to present my views on H.R. 2563, a bill which would authorize pilot projects to improve the delivery of human services.

My name is William J. Page. I am Professor of Public Administration and Social Work at the Florida State University, Tallahassee, Florida. Most of my adult life has been spent in delivering, managing, studying and teaching human services. I was a careerist in the U.S. Civil Service from 1948 to 1975, where I gained local, state and national experience in the U.S. Public Health Service, the Office of the Secretary, and the Social and Rehabilitation Service (SRS) of the Department of Health, Education, and Welfare (HEW). My last three positions in HEW were Regional Director, Director of Field Administration, and Associate Administrator for Field Operations, SRS. I have served also as an administrator and teacher of graduate courses in public administration at the University of Southern California, Secretary of Health and Rehabilitative Services in Florida (1975–78), Executive Director of the Council of State Governments (1978–80) and, since September 1980, as a professor at The Florida State University.

My perspective before the Committee is that of a former manager and a continual student of human service programs and systems, particularly large and complex systems.

I commend Representative Campbell and the co-sponsors of H.R. 2563 for focussing this public policy proposal on improved delivery of human services. The traditional emphasis on "services integration" has created two liabilities which are minimized in the bill now being considered. First, the use of the rather ambiguous term, "services integration" understandably created the impression that the public policy goal was only a process. Second, the literal interpretation of "services integration" suggests that disparate techniques, such as prenatal and mental health practices might actually be combined or might be performed by an undefined generalist. Turf-guarding opponents used these semantic flaws to allege that human service professionals were at high risk of having their specialties "homogenized"—a verbal harpoon which I have encountered repeatedly. Nothing could be farther from the truth.

I understand the goal and the language of H.R. 2563 as expressing a policy commitment to creating and testing unified service systems as an alternative to fragmented, piecemeal services. A majority of the States have taken some steps in that direction during the past twenty years. Recently this reform movement stopped because Federal leadership and fiscal incentives were minimal or absent. Other deterrents have been inadequate design and management of changes which were attempted, often without a sufficient policy base, and the well-known "iron triangle" of categorical program specialists and administrators, their national organizations and other special interest groups, and sympathetic elected officials.

I believe that H.R. 2563, and learning gained from successful experience of modernized systems can provide the knowledge and resources for improved human service delivery. Here, again, our knowledge does not permit the certainty of proven theories about the physical world. On the other hand we have "muddled through" a long interval in search of a workable theory of human services. What we think we know provides several criteria for unified human service systems which I shall list for the Committee and explain briefly.

Criteria for unified human service systems

1. The policy environment must provide a mandate for the design and operation of a system.—This mandate must be sufficiently clear to enable goal formulation and it must remain sufficiently stable to permit achievement of goals and objectives.

Only a portion of the requisite environment is represented by the Federal Government. All of the environmental necessities cannot be supplied by Federal legislation

because the Federal Government does not actually deliver services. The intergovernmental character of human services policy and finance indicates the necessity of state and local actions and resources for legitimation and support. Wherever states mainly provide policy for local administration, this criterion is especially important.

H.R. 2563 provides the essential Federal policy. State and local governments must make counterpart policies to permit workable organization and service delivery, including private sector involvement. H.R. 2563 provides project selection which can assure that state and local capacity exists or can be developed rapidly.

2. The scope of programs to be included must be broad enough to make the project worthwhile and to allow demonstration of improved service delivery.—The most successful programs have been the most inclusive. Prior to the enactment of recent block grants, 50 to 75 categorical programs were needed to achieve the necessary programmatic scope. At the minimum, a system should include public health, mental health, economic support, and the full array of activities commonly called "social services". Employment security and corrections have been included or excluded from systems, depending on state or local choices. These and other exclusions usually are made for political, rather than administrative, reasons.

3. Unified and comprehensive management of the system must be mandated and realized.—It is merely wishful thinking to create a federation of specialized human services with a coordinator. One person must have the comprehensive administrative charge and accountability. In a situation of major systems or organizational change, come changes occur only as they are directed. One does not realistically expect to achieve major change through dependence on cooperation. This is particularly significant in human services where practitioners are extensively specialized, professionalized, and dedicated to organizational and individual autonomy. Federal, state, and local experience indicates that excessive functional autonomy is a prescription for chaos.

Unified management does not proscribe decentralization. In fact, these variables are interdependent. No administrator of a complex human service system can make the thousands of operational decisions which must be made every day or be in every place where a problem occurs. It is quite possible to apply modern management knowledge, technology, and skills to maintain essential control of large and complex systems. A decentralized administrative arrangement is one which I strongly prefer and recommend. It is the only arrangement which can provide necessary work satisfactions for competent professionals.

4. Administrative support subsystems must be competently designed, technically adequate, and responsive to system needs.—The array of essential subsystems here includes: Budgeting and other financial management components; human resources (personnel) management; general administrative services; information handling; and monitoring and evaluation (to be discussed more extensively below).

Two selections from the list indicate the criticality of these subsystems. Financial management of a human service system is tremendously complex. Public accountability requirements are stringent. Hundreds of funding sources and tens of thousands of vendors of services may be involved. Fees for services and interagency cost-sharing arrangements further complicate this function.

The ultimate test in managing human resources is whether the system is capable of acquiring, developing, and utilizing effectively competent professional workers and support staff. Hundreds of occupational titles are used. Relatively low compensation of human service workers in public and private organizations exacerbates the difficulty of maintaining a competent, energized work force.

5. The human service system must be capable of delivering necessary services in a manner which satisfies policy makers, clients, and the general public.—In my experience, policy makers want and are entitled to faithful policy implementation, evidence of accountability, efficiency, effectiveness and client satisfaction. Clients want and should have access to services and fair and respectful treatment. The general public, often dependent for their information on mass communication media and statements of elected representatives, want evidence of acceptable value for dollars spent and assurance of ethical behavior. The people of the United States, as a whole, appear to be ambivalent about priorities and performance of human services. Improved service delivery can enhance understanding and valuation of service systems.

Collocation of agency operations is a necessary step toward client satisfaction, public approval, and efficiency.

Surely the most critical factors in the success or failure of human service systems are policy that is clear and responsive to need and professional management of policy implementation. The time is past when management of systems involving bil-

lions of dollars of specialized human services should be merely a reward to anyone whose major qualifications are those of a faithful political campaign worker.

With that gratuitous comment, I now turn to comments on specific provisions of the bill.

Comments on selected provisions of H.R. 2563

Having early stated support of the emphasis on human service delivery systems, I would pause only long enough to reaffirm support of the labeling and instrumentation proposed in Section 1135. The demonstration project is a time-tested device for development and testing of intergovernmental service arrangements. The approach has been used successfully and will serve the intended purpose if the Congress authorizes its use.

The lack of a generally accepted taxonomy of services (p. 2, lines 23–23) has plagued the human service programs for as long as I can remember. Separate jargons exist for each professional discipline and each corresponding programmatic sector. The different terms and meanings are, to some extent, a natural product of differential educational curricula and values. Without common terms, we find ourselves unable to communicate effectively. We cannot mutually define and agree on designation of units of service, which severely constrains performance measurement, cost determination, accountability, and legislative oversight. I was recently informed that a few technocrats have made progress in constructing a taxonomy of services. We need to complete the development of this resource, refine it, and use it.

The provision for developing and testing a single "comprehensive family profile" (p. 2, line 25) would enhance professional performance and systematic information. Even with computerized client information systems, we frequently lack the capability to aggregate and exchange among workers useful information about family groups and situation. As I recall, some local systems have made progress which might be replicated in other areas.

The single resources directory (p. 3, lines 3–7) is a provision which elicits enthusiastic support. It is essential to effective access. It is an indispensable resource for case management and service network functions.

The provisions for unified administrative support in the form of unitary budgeting and financial management (p. 3, lines 8–10) should be expanded to include all supportive subsystems, such as personnel management and information for management. The unification of such subsystems is a minimum essential step for accountable, efficient, and effective management.

Unified planning, needs assessment, and evaluation (p. 3, lines 11–12) are essential to system design, coordination and performance evaluation. These elements of process enable professional workers and others to participate in designing, maintaining, and changing the system to improve service delivery.

Collocation of agency staff and services (p. 3, lines 13–14) is a dramatic statement of intent to improve access to and delivery of services. Collocation of 90 percent of operations can be achieved within three years in most systems. In the large system which I know best, I had a great sense of accomplishment—and much less trouble communicating with staff—when we had reduced the number of leases from more than 700 to approximately 300 at the end of our first year of operation. Client access to services and improved mutual access of staff were the major benefits, though administrative time savings were considerable. Collocation is an important step in reducing fragmentation, which requires that the client coordinate the system in order to receive services.

Standardization and other improvements in purchase of services from private and local governmental services (p. 3, lines 15–16) occasionally save dollars but the greater system benefit is gaining validity and efficacy of such arrangements. We made some startling discoveries and early improvements when we became involved in this situation in Florida. The formal and informal arrangements for purchasing services often had not yielded an enforceable contract—or even specification of performance expectations. Evaluation requirements were, if existing, of uneven quality. Eventually, we were able to progress to performance contracting. This is an important and supportable provision of H.R. 2563 if only because billions of dollars are exchanged each year under purchase-of-service arrangements.

Uniform application and eligibility determination (p. 3, lines 20–21) have eluded all consolidated or integrated systems. Multiple statutory and regulatory requirements, both Federal and state, mandate different processes of eligibility determination and documentation. Informational requirements as a basis for professional service decisions also cause different paperwork requirements. Some progress has been made. Waivers for these projects would enable further gains. The overall situation will not be changed substantially unless universal eligibility standards are statuto-

rily established for all authorized services. This appears to be unlikely in the near future.

Modern information handling technology partly offsets the enormous burden of manual paperwork, which causes grossly inefficient utilization of the human services work force. I suggest that a provision be added to H.R. 2563 so that the Secretary of Health and Human Services (HHS) would require a plan for a computerized client information system as a condition of approval of project applications. Criteria for approval might give additional weight to any project application which reflects the integration of the client information system as a component of a comprehensive system, which would include information for financial management, personnel management, and individual and programmatic performance evaluation. The technology for such systems is available at bargain basement prices, compared to costs which would have been incurred ten or twenty years ago. Public policy should made clear the value of investment in modern information systems for human services.

H.R. 2563 provides adequate financial incentives for constructive change in human service systems. The absence of such incentives in the past created substantial barriers to progress. My own experience includes sharp and extensive conflict with Federal categorical program agencies over our plans for systems integration. The power to deny Federal approval of participation in the costs of proposal changes was used liberally. This was true particularly when we sought a mutual investment in information handling technology, relief form prescriptions of state administrative structure and process, or other changes which were not anticipated in statutes authorizing categorical programs. Innovations in human service delivery systems frequently were negatively sanctioned, rather than supported, by the Federal partners.

The provision for conversion of savings to service increments (p. 6, lines 3–22) is laudable. A cautionary note on expectation of savings is warranted in the initial phase of the pilot projects. The literature of management clearly indicates that some inefficiencies during massive organizational change are normal and should be expected. Efficiency and resultant savings can be expected only as new organizations stabilize. Thus, when the Florida legislature deleted 488 administrative positions from headquarters of the Florida system, some administrative incapacity was created. In fact, during the three years of change and restabilization, we had fewer staff than in the prereorganization situation. Most Florida policy makers would, in retrospect, agree that this was a mistake. Maintenance of service delivery capability also was threatened by staff reductions but this risk was offset by giving absolute priority to the prevention or immediate remediation of service delivery breakdowns.

Experience suggests that the provisions of H.R. 2563 which require the HHS Secretary's consultation with, and approval of waivers by, other Federal agency heads (p. 7, lines 9–23) will complicate the implementation of the proposed amendments. The prospect would be improved if the agency heads could be directly and personally involved but demands on their time understandably do not always permit such interagency consultation. The usual alternative is designation of one or more persons from the agency head's immediate staff to service as liaison for interdepartmental consultation. Too frequently, these designees have neither the power, the charge, nor the motivation to commit their respective agencies to joint action. The consequent delays, frustration, and open conflict in such situations have been documented extensively and persuasively by Harold Seidman and other contributors to public administration literature. Given that these problems are normal in the interaction of public and private organizations, I am aware of no way to eliminate them. Based on personal experience of multiple interagency task groups, I suggest that the best preventive medicines for such bureaucratic pathology are strong expression of Congressional intent and assiduous exercise of Congressional oversight.

My major remaining concern about the provisions of this bill is the relatively light and fairly general emphasis on assessment and evaluation. Learning opportunities which might have accrued from state and local projects in the 1960's and 1970's were lost for lack of useful evaluation. When asked or required to evaluate their programs and services, human services professions are prone to assert that conventional evaluation methods cannot be applied directly to their activities. The assertion is to some extent supportable by facts. Pure scientific experimentation, using cause-effect designs and control groups, usually are not allowed in human services. The two major deterrents to objective assessment are the indeterminate technologies of human services and nearly universal failure to establish measurable objectives and clear goals. The situation is further complicated by values centering on professional autonomy and program insularity. The overriding consideration is that the time has past when massive amounts of resources can be expected in the absence of responsible assessment. Useful assessment requires more than activity

counts, which traditionally have been accepted in lieu of outcome evaluation. Certainly more and better methods exist than are being used for analysis of input, evaluation of process, and assessment of outcomes. In other words, I am saying that measurement techniques and relevant methodologies are lying around and only need to be assembled and applied to human service operations. These pilot projects offer an unusual opportunity to improve assessment practices.

Three suggestion are made for providing the Congress and others with the ingredients of policy evaluation. First, definitive expectations of HHS and states should be included in the language of the bill. Characteristics of the changes expected can be defined and stipulated in H.R. 2563. Second, a goal-centered planning process can be stipulated as a condition for approval of any project proposal. Third, the Subcommittee might stipulate that disinterested sources of evaluative competence be used for evaluation of progress and final results. Such competence exists, is essential to getting hard data, and should be used in achieving the important purposes of this legislation.

The opportunity for useful evaluation will be lost unless baseline data on the preexisting situation are obtained before a pilot project is initiated. Absent such information, improvements become assertions and not measured proof of beneficial change. Proposals for pilot projects should, accordingly, contain commitments to establishing data on existing resources, service locations and methods, organizational structure and process, costs, and quantitative and qualitative results. This effort will set the stage for evaluation of program performance and the broader effects of policy changes now being considered.

Mr. Chairman, I greatly appreciate the opportunity to comment on this legislation. Direct involvement in several efforts of human service systems integration and knowledge of the national experience in this area give me confidence in the potential benefits of H.R. 2563. I feel strongly supportive of your efforts because I believe, as former HEW Secretary John Gardner has said, that human services are the highest expression of human community and the most important work of our time.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

If anyone else has any opening remarks, we will be glad to hear them.

If not, we will proceed to questions.

Representative Kirsh, after being the head of a group that put together such a project, would it be your opinion that this type of project can benefit the average citizen that is dependent on programs?

Mr. KIRSH. I really believe that it will, because we in this project, the eight agency outfits, some of them have never met the other directors, even.

We pulled all these people in together in this project, and we met. They learned what the other agency is doing for the client. I think that is a very important process.

We have this so-called tier of protection. They were afraid the other guy was going to get ahead of them. We accomplished some things in getting their cooperation.

It all goes back to the client or the recipient of the service. That is the main concern. We are not trying just to save dollars. We know dollars are short, and we want to give the most that we can to the client. We think that has accomplished a great deal in this project.

Mr. CAMPBELL. You are aware that the legislation that we are discussing would allow the use of any savings back into service delivery, so we are directly concerned, or I am, as the principal author of this legislation, with getting the best service to the client that we can get with current resources.

Mr. KIRSH. I think that is a very important incentive in your bill, because when you get that extra money to put back in the program, you are going to please the people that are administering it.

Mr. CAMPBELL. Do you feel that this type of project has the potential to make a difference not only to the client or the person administering it but also long-term to the taxpayer. Do you feel this can be accomplished through better utilization of funds, or at least through a taxpayer taking a better look at what we are doing with service delivery instead of always talking about the welfare Cadillac-type.

Mr. KIRSH. Yes, I really do, because you are going to see that the taxpayers' money, when you get it down on the local level, when it comes out of Columbia in our State, that means nothing. When you get it down to York County dealing with the local level, people understand what is going on, and we try to involve in our project chambers of commerce, any group that would let us come talk before them to explain what we were doing; we did our best to do that.

Getting back to the question about the difference to the bureaucrats, in our project, I think the bureaucrats involved in this project have learned a great deal.

We are getting a whole lot better cooperation, and that goes from the local level back to the State level. We certainly did not have it when we started. This thing has been fought real hard.

We think we have accomplished a great deal in that respect, and the cooperation, that is worth a whole lot as far as the taxpayer is concerned, because he will know exactly what he is getting for his dollar.

Mr. CAMPBELL. Dr. Bloedorn, who is a private consultant, tell us in your own words, what is the potential here to bring about some significant reforms from a project like this. Do you think there is any real potential, or are we wasting our time looking at it?

Dr. Bloedorn is a private consultant to the project in the area of information systems and project design, I believe.

Mr. BLOEDORN. I have been working in human service projects, State, local and Federal, for 16 years and do nothing but this kind of work, and it has been quite a pleasure working in South Carolina with the Reorganization Commission.

The answer to your question is yes, reforms can come about.

The kind of legislation that you propose and the kind of project developments that can come out of that legislation may be the only way we get substantive reform, substantive change of systems at the local level, and it is only at the local level bubbling upward that we get substantive national change.

I am most enthusiastic about the possibilities for this, particularly in light of the block granting of funding, and openness with which we are willing to pass authority and responsibility downward to local organizations such as that in York County.

Mr. CAMPBELL. Is it your opinion that from the funding, as we try to develop this type of project, that we leave as much flexibility as possible at the local level, and as few absolute guidelines from the top as possible, or would you be more specific from the top?

Mr. BLOEDORN. Flexibility at the local level is the key to substantive change, but I would have a set of very specific criteria, I think

they have been called, or guidelines. You have 10 of them in your legislation, and some here today have said those ought to be optional, and others have said they ought to be absolute.

I tend to agree with Pete Page; they ought to be absolutes, and I would add one or two more to them, not necessarily of the specifics of how to colocate or how you access clients, but the fact that you account for colocation. Otherwise, you are not doing service integration.

How do you account for common access of clients?

Is that an integration project or not? That is what I would put the hooks on. I would leave it up to the locals to figure out how to meet your guidelines.

Mr. CAMPBELL. Professor, you testified a moment ago about the need for baseline data available before and after the project.

Would it be that the data we were seeking would be data on the set criteria that were mandated before and after to determine what our result was, or were you speaking of accounting-type data for budgeting; or exactly what did you have in mind there?

Mr. PAGE. You would need different types of data.

You would, for example, need to know if there are unit costs that are available in the system now; you would need to know what those are.

You would need to know about the number of locations that you had. For example, I think I included this in the testimony.

At the outset of the Florida initiative, we had 700-some leases. That is in addition to county and State and other space that we acquired.

One of the things we measured during the first year was: to what extent we consolidated and reduce the number of leases. We reduced the number some 300 leases. I know that we had 700 because there was a policy flare-up in the State and the law was laid down that only the secretary of the department could sign a lease, so I signed a lot of $500, $1,000 leases and some that were much more than that, of course. That is the kind of information one needs, about the number of places where you work, the distribution of your people, the kind of services being provided, and to whom, and any evaluative indicators that you have.

Mr. CAMPBELL. All right. Let me ask you, while we are talking about the indicators, you also mentioned the setting of goals and defining objectives sharply.

Would you envision that being in a plan of operation and the time it had to be submitted from the beginning before a project could be chosen for one of these demonstrations; in other words, that type of plan would be up front?

Mr. PAGE. If it is not in the plan, then I would not be highly confident that it would be in the real operations. If it is in the plan, at least it indicates that someone is committed to it, given that there has to be some coordination before they come in with a project application.

I would see a plan of two components: one, a strategic component.

The goals ought to be expressed in terms of what do we want the situation to be at least 3 years from now. As we finish this project,

assuming it will go for 3 years, what should our situation be, and what do we need to have done?

Annual segments which I would call operational plans, some people call them tactical plans, should also be provided and there the objectives would be very, very specific and time-limited, with responsibility clearly spelled out, scheduled, and also feasible.

Mr. CAMPBELL. The testimony that was presented by Senator Drummond spoke of some of the goals that they had to consolidate a transportation system, establishment of a single resource directory, et cetera. Would it be your opinion that we should be that specific in the original plan for anything that we go into?

Mr. PAGE. Yes, I would think so, and I would like to see, when mentioned in a plan, some statement about when those things would come online.

If you are depending on a transportation system being activated, you really need to know when you can count on it.

Mr. CAMPBELL. OK.

Mr. Grose, you have been a major player in the development of this all along.

You mentioned the development of systems which could form a technological foundation on which later projects could be based.

I wonder if you would expand on that just a little bit.

Is this in our development of common systems, or what is it that you are thinking of?

Mr. GROSE. Well, I think in the early days of planning the project we all understood generally the kinds of things we wanted to do. We understood without any kind of specific references what may have been the obstacles in the system at the present time. Agencies were not talking to each other a great deal. There was the traditional multiservice client who falls in the cracks, and so forth.

We did not have any basis for addressing those problems until we got over the language barrier, the computer barrier, the program guideline barrier, and many, many types of elements which impeded even the agencies' voluntary cooperation at that time.

It limited it significantly. Very early we did an inventory just of Federal statutes and guidelines regulating the 32 programs coming into York County, and it would have filled up this table, of course.

By the same token, the States had their own systems, which were somewhat unique to South Carolina.

Before we could even begin to begin, we had to get over these kinds of barriers: First of all, determine which ones you could get through, and which ones you could not reasonably expect to get through in 3 or 5 years.

The Florida system had its own difficulties and the famous case about one agency that went to court for years and years.

We decided that before we could even have a project and demonstration, we needed the resource directory that has now been done, and needed the kind of public accessibility through telephone blue pages, and that sort of thing.

Ideally, we would have had a colocation site but we did not have the time or resources to get that done.

This, to me, is the whole idea of a demonstration project. You identify the problems that exist, and identify what you think you

can get done in the period of time that you have and the resources that you have and estimate what the tolerance of the organizations may be and the individuals involved, and then you go with that plan, and our plan was to establish these technological factors.

One of the suggestions that was made earlier by Mr. Fernandez, of our staff, was that you might consider an amendment to your bill which would strengthen the secretary or the department's role or responsibility in disseminating the outcome, the output of these demonstrations.

Mr. GROSE. As Mr. Page said, the demonstrations of the 1960s and 1970s helped us. We learned from them.

Hopefully there would be a better mechanism, though, for making certain that whatever comes out of these demonstration projects funded here would be broadcast generally so that there would be an incremental learning process and not just one in which each project becomes an isolated incident.

Mr. CAMPBELL. Let me ask one other question. Either you or Representative Kirsh, one or the other, can answer it.

You mentioned that we have State agencies that literally administer the programs of the Federal Government, and of course you have the State battle at the State level and then you have the Federal level.

Do you think in applying for these projects that it would behoove us to have a requirement with the State and also have an approval mechanism or have given the right for the setting up of a project so that we would make sure we would not run into a State agency undercutting the efforts of a project once it was undertaken?

Mr. KIRSH. Congressman Campbell, we are contemplating legislation in our State from this project. Perhaps we have not gotten to the final point yet.

We would make this final if they wanted to, but your question about all States in general, I don't know just what to say about this. I feel like the State would go in and they would probably want to have their hand in this project some way or another.

I think you have got to allow the local end at the county level, particularly maybe in a case like New York City may do it by itself, but the local end of it has got to have a lot to say about the project.

Mr. CAMPBELL. What I am driving toward is, could that local entity do the job if we just said from up here "you can do it" and the States weren't cooperating and you did not have the State authority in there with those State agencies that were involved?

Mr. KIRSH. I think it would be rather difficult.

Mr. CAMPBELL. That is what I am trying to get toward. Before they were eligible for one, say they would have to have the necessary State permission or statute or whatever to allow those local entities and projects so that we would make sure we had that type of cooperation.

Mr. KIRSH. I really believe you would have to have the cooperation of the State on that end.

Mr. CAMPBELL. Mr. Chairman, I know I am going on too long, but we have a broad panel and I was trying to catch them. I appreciate your indulgence.

A couple of other things I want to make sure of. How do you handle in this service delivery the privacy situation while you are trying to maintain common standards and so forth?

Do you have a waiver procedure or what?

I just kind of throw that open to whoever would like to comment on this.

Ms. Littlejohn, you haven't spoken yet and you are in the citizen end of this.

Ms. LITTLEJOHN. My knowledge is secondhand, but developed through the PMA, of course.

Yes, there was a system that was used on this privacy issue.

Mr. Bridges might want to comment on that.

Mr. CAMPBELL. Mr. Bridges, if you would use that microphone and comment, please.

Mr. BRIDGES. The development of the consent form that Dr. Littlejohn mentioned is a partial solution. We really did not overcome that particular barrier in all instances. So I think that is an area that would deserve special attention in order for it to truly enable organizations to exchange information in an unfettered kind of a manner.

Chairman FORD. Mr. Grose, what have you all done? Professor, what did you all do on this?

Mr. Grose, what do you anticipate having to do to deal with this particular problem so we can get the necessary information or so that we can have a system?

Ms. LITTLEJOHN. Mr. Campbell, we had one system in one particular program area which is heavily handled by private sector, private nonprofit organizations with whom we contracted extensively. They freely admitted privately they used the confidentiality issue as a shibboleth, and they could rattle the bones of that skeleton almost any time.

Legislature respected that, of course. And you could go into their operations, into their facilities and you would see file folders lying on top of file folders and on desks, and they were there in places that a 10-year-old kid could have entered over the weekend, but they feared that they would lose the security of records and confidentiality if you put them in that big State data system.

Now, I would not belittle the risk that does exist but, by golly, when you can construct a new identification for a client through random numbers issued by a computer program, that is going to be about as hard to get. You can provide access keys so that unauthorized persons except crooks, and very smart crooks at that, cannot get to that data.

There has been no instance of which I am aware where that was abused.

While we were dancing around on this issue, we have an instance where two kids were placed in a foster home. Two young boys and a new foster father had one of them hold the other, pour lighter fluid on him and burned him very seriously.

That man had a very long record in our mental health system and he left his last prescribed treatment without completing the course of treatment. We should have known that before that individual was approved for foster care.

Mr. GROSE. From a practical point of view, when we were confronted with this problem in needing to load cases into the computer, we brought to the legal assistants of the eight State agencies participating and asked them to design a consent form which would be acceptable to their respective agencies. In this case, we were able to do that within a matter of weeks.

The agencies, I believe, treated the project managing agency in York as something of an agency itself, because the local agency heads were part of the management of that project. So it was a matter of the project being willing to assume and to share the liability with the individual agencies, and that got us through that hurdle.

Whether that would be a permanent answer, though, I don't know. It worked for us.

Mr. CAMPBELL. Dr. Littlejohn, let me ask you a question that does not have anything to do with the specifics, but being from the local community and involved as a lay person in that, what type of acceptance do you think this demonstration project has had in York and the community and the local cooperation from the people?

And I would appreciate your using the microphone there.

Ms. LITTLEJOHN. Obviously, we face the same problem any project that is not familiar to the general public, that is, how to inform people who have no knowledge and no existing interest in what you are doing.

Mr. Kirsh mentioned some of the attempts to get publicity, the attempts to involve all chambers of commerce, for instance.

The local newspaper was extremely helpful to us in giving publicity. We held a number of public meetings in which the major effort was devoted to getting somebody to come. We made all the customary efforts to do that.

In another sense, though, who did really know what the project was doing, such as the public members on the PMA, and I don't think it has been specifically although it has been tangentially stated here.

It might be of interest to this group that the eight local agency county heads were voting members of the managing authority, so the public members had a responsibility there and cooperative working arrangements.

Those of us who were public members, I think, were enthusiastically supportive of what was being done. At the same time, getting some very shocking experience on just how difficult it is to do what you are now talking about trying to defer there, but very much worthwhile.

I believe Mr. Kirsh spoke about defensiveness. There is defensiveness, obviously, not just at the State level but there was at the local level, among agency heads, varying degrees, obviously.

But if we could implement, as I certainly think York began to do, and I think your bill offers potential, nationally, of devoting at least more of the present dollars to delivery of services, you will find agency people most cooperative and most supportive.

That is the one thing that will address them, if I may judge from my experience.

Mr. CAMPBELL. Thank you. That is a good point raised.

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Our bill does authorize expenditure of funds. We are not trying to go in and say we are going to demonstrate something for nothing.

We do believe that if we are going to do it properly, if we are going to seek structural changes and better delivery and cost savings down the road, then we have to be able to look at the study, and have to spend the money to look at it.

Some testimony earlier was concerned with that, and I want to make it clear that it is not our intention at all in this.

I certainly want to thank all of you for being here. Your testimony is in the record in its complete form and I hope I have covered as much of it as I could cover with what time we had.

If there is anybody that had a closing comment on it, I would be glad to take it. If not, we certainly appreciate the effort, because it is on this project in York County and Florida and the experience in Delaware and others that we are going to try to build. That is what we are trying to do over all with the demonstration project, to get together and, as Mr. Grose said, we have got to be able to use that information to build on each time. We have to keep it. So we appreciate your participation.

Thank you.

Chairman FORD. The Chair would also like to thank each member of the panel for appearing and testifying before the committee today. Thank you very much.

The Chair would like to make an announcement that there are three other panels and it is the intent of the Chair to complete the list of witnesses before we adjourn for the day.

I would like at this time, before calling the next panel, for the committee to take a 3-minute break. Hopefully the witnesses who are here will be able to stretch and maybe get a Coke or coffee next door.

We will stand in recess about 3 minutes.

[Recess.]

Chairman FORD. The subcommittee will come to order.

The committee will call on Ms. Louise Brookins, director of the Philadelphia Welfare Rights Organization; Ms. Callie Hutchison, director of the Tennessee Hunger Coalition; along with Ms. Mary Anderson Cooper, assistant director of the Washington office of the National Council of the Churches of Christ in the U.S.A.; and Mrs. Ruth Flower, legislative secretary with the Friends Committee on National Legislation, Interreligious Task Force on U.S. Food Policy.

The committee would like to welcome all of you. We will start with Ms. Brookins as the first witness.

STATEMENT OF LOUISE BROOKINS, EXECUTIVE DIRECTOR, PHILADELPHIA WELFARE RIGHTS ORGANIZATION

Ms. BROOKINS. Members of the subcommittee and ladies and gentlemen, I am Louise Brookins, the executive director of the Philadelphia Welfare Rights Organization. PWRO is a poor people's organization that tries to make the welfare system more humane and decent.

We are pleased to see that the House is considering the repeal or modification of several of the worst provisions of the Omnibus Budget Reconciliation Act [OBRA]. Since OBRA passed in 1981, the position of welfare recipients went from bad to worse.

Tremendous amounts of suffering and hardship were caused by the lump sum rule and the disqualification of 18- to 21-year-old students. We are pleased to see that the Stark bill proposes to modify these measures, although outright repeal would make more sense.

WORK INCENTIVES

One of the worst features of OBRA is the way it changed how earned income is treated. Under the OBRA changes, it literally does not pay recipients to work. Recipients have not quit their jobs in great numbers because they, like other people, like to work and get ahead. But these changes have convinced hundreds of people not to look for work and not to accept part-time work around the holidays. I ask you: Would you take a part-time job in December if it meant your family would have less money?

We advocate going back to the former system of financial incentives that are unlimited in time. We also applaud any modifications that restore incentives, such as the Ford and Stark bills. But we cannot support the proposal in the Stark bill to limit the incentive to 1 year. That only penalizes the most self-reliant recipients. We also think that it is ridiculous to base computations on gross, before tax, income. This imposes a grave burden on recipients in high tax areas, like Philadelphia, and actually causes people to lose money by working.

MONTHLY REPORTING/RETROSPECTIVE BUDGETING

Two other areas of concern deserve further comment. One is monthly reporting/retrospective budgeting [MRRB]. Quite simply, that program spells disaster for welfare recipients. Pennsylvania is only now starting this program and, frankly, they are not ready for it. The staff is inadequate to do the job, the computer equipment is not up to the job and many recipients do not understand how to comply. It only creates more paperwork in a system that is already too complicated. We would like to see the repeal of MRRB, but making it optional for the States would be a step in the right direction. We also need to make sure that more safeguards are put into the system. Right now, HHS takes the position that any system, no matter how bad for recipients, is acceptable. They don't even require states to send out stamped, self-addressed envelopes. If the agency won't protect recipients, Congress must step in. One thing we would especially urge is a provision making State supplementation of grants mandatory where there is a large drop in income. Otherwise, families will be left with no money for up to 2 months.

COMMUNITY WORK EXPERIENCE PROGRAM

Pennsylvania is still in the early stages of implementing workfare. Already we have seen a number of problems that I will list.

One, Pennsylvania regulations do not provide for all the protections passed by Congress. In fact, at a training session for sponsors

that I attended, the head of the workfare program said that his office would not enforce protections, especially those regarding displacement of workers.

Two, race and sex discrimination in assignments is not forbidden and is already a problem.

Three, people are being forced to work off their full grant, even if most of it comes from child support payments.

Four, there are no provisions to allow people for time off from workfare to look for work or get to job interviews.

Five, recipients are being given dangerous equipment—like chain saws—without training.

Six, reimbursement for expenses is unbelievably slow.

These are only a few problems. We believe that the only real solution is repeal of CWEP and the passage of a real jobs program. The placements that we have seen are mostly in menial, repetitive jobs that do not provide training or a sense of accomplishment.

Thank you for your time. I would be happy to answer any questions you may have.

Chairman FORD. Thank you.

The Chair will recognize Ms. Hutchison.

You are from Nashville, Tenn., and I am also familiar with some of your operations in the Memphis area, and Joe Mullins, who is the director and all. I personally welcome you before the committee.

STATEMENT OF CALLIE HUTCHISON, DIRECTOR, TENNESSEE HUNGER COALITION, ON BEHALF OF THE FOOD RESEARCH AND ACTION CENTER

Ms. HUTCHISON. Thank you very much. Thank you for the opportunity to be here.

I am Callie Hutchison, director of the Tennessee Hunger Coalition. I am also testifying today on behalf of the Food Research and Action Center and the National Anti-Hunger Coalition.

The Tennessee Hunger Coalition is made up of a number of organizations and individuals across Tennessee and is governed by a board with a majority of recipients on Federal assistance.

My comments today will focus on three of our concerns: federally mandated monthly reporting/retrospective budgeting in both AFDC and food stamp programs; the 150-percent gross income cap, and the 4-month limitation on the $30 and one-third earned income disregard.

I would like to summarize my written testimony which I have submitted with the following remarks.

Tennessee has only recently implemented monthly reporting statewide for AFDC recipients. Although the State has apparently taken careful steps to provide assistance to affected persons, the complicated forms and procedures are still overwhelming to many people.

The Tennessee Department of Human Services had to develop a 53-page booklet to explain the process to its own workers. Even with help from advocates, the Department's two-page form, which I have included in my written testimony, is beyond the comprehension of persons with limited educational backgrounds.

Every month there continue to be terminations, interruptions, and delays imposed on persons, not because they are ineligible or trying to hide fraud, but because of misunderstanding and confusion.

Let me assure you that these are not just numbers on a caseload, but real people, most of them children for whom delay of assistance can be a serious threat to survival.

Tennessee could better use the money it costs to administer this program to update its inadequate grant level, which, at $154 for a family of four, ranks 49th in the country. Or there could be an increase in the number of staff to avoid the waiting period for new applicants which currently exceeds 45 days for more than 10 percent of the number.

The real problems are still to come, however, with the implementation of food stamp monthly reporting. The two systems are incompatible and can affect different people and require different information or actions.

For example, AFDC requires immediate reporting of any changes which occur in a given month. In food stamps, the monthly report would be enough.

Furthermore, under AFDC, the number of people affected has been limited but under food stamps the numbers will be overwhelming. With these complexities, error rates are likely to increase substantially and costs to escalate.

The Tennessee Hunger Coalition has joined with Sammie Lynn Puett, the Tennessee commissioner of human services and other welfare commissioners across the country to request that MR/RB be made optional and that the decisions about who to include be left to the States who have a better knowledge of their own situation.

The whole monthly reporting process assumes that the amount of fraud and error in these programs justifies such a gross imposition on people from one class and that the financial and very human cost of requiring these reports is worth it.

In addition to changing MR/RB, we would also suggest that the 150-percent standard-of-need gross income level be dropped and that the 4-month limit on earned income disregards on AFDC be abolished.

In Tennessee, the standard of need has not been updated since 1969. Now, with a standard which is 51st in the country, a Tennessee household of four with a gross income of over $326 is ineligible for AFDC and, therefore, even more significantly, not covered by medicaid. This rule penalizes very low-income working people with more than normal work-related expenses.

Similarly, the 4-month limit on earned-income disregard seems more designed to keep AFDC families out of work than the reverse. Even if there were a limit, 4 months is just not long enough for a low-income family dependent on both cash assistance and medicaid to become self-sufficient.

These three changes would be a small step to restoring fairness to the assistance system in Tennessee.

The actual changes for the truly needy families in Tennessee will be minimal. Over one-third of the applicants for food stamps and AFDC will continue to be turned away. There will continue to be

no general assistance to take up the slack. There will still be no AFDC unemployed parent program, but it is still important, we believe, to undo the harm done and prevent further harm from these hastily passed and ill-considered changes.

Thank you for this opportunity to be heard.

[The prepared statement follows:]

STATEMENT OF CALLIE HUTCHISON, EXECUTIVE DIRECTOR, TENNESSEE HUNGER COALITION

SUMMARY

The Tennessee Hunger Coalition, made up of a number of organizations and individuals across Tennessee and governed by a board with a majority of recipients of federal assistance, has the following recommendations to make regarding the possible changes in AFDC and food stamp programs.

1. We suggest that monthly reporting both in AFDC and food stamps be made a state option—

A. In Tennessee AFDC monthly reporting has resulted in persons terminated from the program who are eligible but are unable to cope with the complicated form.

B. In Tennessee AFDC monthly reporting has cost money that could better be used to upgrade the grant level or increase staff so that applications could be promptly acted upon.

C. When added to AFDC monthly reporting, food stamp monthly reporting will be an absolute disaster.

1. Food stamp MR is incompatible with AFDC MR in terms of persons affected and questions asked among other details.

2. The numbers of persons subjected to food stamp MR will be overwhelming. AFDC MR has only been barely manageable even with the very small number of people affected and intensive outreach directed toward them.

D. The advisability of monthly reporting requirement and decisions on who should be part of MR are best left to state.

2. We suggest that the 150 percent standard gross income limit be dropped—

A. Tying a gross income limit to a state standard of need is unfair since standards of need vary so widely and are often terribly inadequate.

1. In Tennessee the standard of need had nothing to do with the grand level and thus has never been a factor in budgeting until OBRA.

2. Tennessee's standard of need has not been updated since 1969.

3. Tennessee's standard of need is presently 51st in the country and means that a household of four with over $326 per month in gross income is not eligible for AFDC or medicaid.

B. This rule strongly penalizes very low income working people whose work expenses are more than normal.

3. We suggest that the four month limit on earned disregards in AFDC be abolished—

A. This rule is a clear work disincentive.

B. This rule is unfair in that four months is not long enough for a low income family to become able to totally depend on earned income.

STATEMENT

INTRODUCTION

I am Callie Hutchison, Executive Director of the Tennessee Hunger Coalition. The Coalition is made up of a wide variety of organizations and individuals across Tennessee, including community groups and churches, unions, neighborhood and residents associations, and interested citizens, many of whom are recipients of federal assistance programs. Through the years we have been particularly concerned with the operation of federal food programs, although we have an interest in other programs affecting low income persons, including AFDC. My comments today will focus on three or our concerns: (1) federally mandated monthly reporting in both the AFDC and food stamp program; (2) the operation of the 150 percent gross income cap in the AFDC program; and (3) the operation of the four month limit on the "$30 and ⅓" earned income disregard.

MONTHLY REPORTING

Tennessee has only recently implemented monthly reporting statewide for AFDC recipients. It is our understanding that, in most parts of the state, the Department of Human Services has made a good effort to make the AFDC recipients generally aware of monthly reporting, although the most efficient process has often been a group interview, which appears to be detrimental to the privacy of the individuals involved. In any case the effort to implement monthly reporting has taken a large amount of resources that might more usefully have gone to other activities.

In Tennessee a relatively small percentage of the AFDC caseload in involved in monthly reporting because of our state department's choice of who to include. It is unclear at this time whether the federal Department of Health and Human Services will allow Tennessee's decision to stand. Under present law, the decision about who will report rests with federal personnel. We believe this decision should be made at the state level where there is better knowledge of the situation.

Every month, people are terminated from AFDC for failure to return their monthly report. For most of these, we would suggest, the reasons do not have to do with fear they cannot hide any fraud but with inability to cope with yet another complicated government form. In Tennessee, much of the AFDC population simply does not have the educational background nor the writing skills to cope with the monthly report form. In fact, the complications of the monthly form increase the chances of innocent persons being accused of fraud because of errors they make in completing it.

I have attached the two pages of the monthly report form that Tennessee recipients have to fill out. The Department of Human Services cooperated with advocates of the recipients to make the form easier to read and complete, but, as you can see, the form is still quite intimidating for the marginally literate and for illiterate folks.

Tennessee Department of Human Services
MONTHLY REPORT

This REPORT MONTH is _____

IMPORTANT

- Do not complete, sign, and date this form until the last day of the REPORT MONTH.
- Return (or mail) this form to the local Human Services Office by the 5th of the month after the REPORT MONTH.

If you have a new name, address, or phone number, please tell us here:

New name _____
New address _____

New phone number _____

HOW THIS AFFECTS YOU

- We must have this report to see if you can get AFDC/Medicaid and/or Food Stamp benefits.
- What you report on this form may cause your benefits to be more or less or to be stopped.
- If this form is not complete or if you do not return it on time, your benefits may be stopped or cut back or late.

HOW TO FILL OUT THIS FORM

- Read each part carefully and answer each question YES or NO. If you mark /X/ YES, you must fill in the extra information and send any proofs asked for. If you need more space, send a separate sheet of paper with the extra information.
- If you have questions or need help with this form, call the local Human Services Office or call toll free 1-800-342-1784 (Davidson County residents should call 741-6767).

(1.) PERSONS IN YOUR HOME. Tell us if anyone in your home had an important change during the REPORT MONTH. Examples of important changes are:

- moved in or out of your home
- got married or divorced
- is age 16 or over and started school, quit school, or is only going part time
- is away from home for awhile
- had a baby or ended a pregnancy

▶ DID ANYONE HAVE SUCH CHANGES DURING THE REPORT MONTH? /_/ YES, fill in below /_/ NO, go to (2)

Person's Name	What Was The Change	Date of Change

(2.) INCOME FROM WORK. Tell us if anyone in your home worked, stopped working, or received income from work during the REPORT MONTH. Send proof of all earnings received during the REPORT MONTH and any loss of earnings. (Examples: Send 3 pay stubs (if you were paid 4 times; send employer's statement if you do not have pay stubs; send layoff slip if you got laid off, etc.)

- Self-employed people - enter gross income, type of business, send an extra sheet of paper listing costs of doing business, and send proof of income and costs.

▶ DID ANYONE WORK, STOP WORK, OR RECEIVE INCOME FROM WORK?

/_/ YES, fill in below /_/ NO, go to (3)

Person's Name _____ Did this person /_/ start work _____ (give date) or /_/ stop work _____ (give date and reason)

DATE PAID	HOURS WORKED	AMOUNT EARNED BEFORE TAXES	TIPS/ COMMISSION	EMPLOYER'S NAME AND ADDRESS

- If this person paid someone to take care of a child or disabled adult so he/she could work, fill in below. If the cost is new or has changed, send proof such as receipt.

Name of Child or Disabled Adult	Amount Paid	How Often Paid	Name of Person Paid

Person's Name _____ Did this person /_/ start work _____ (give date) or /_/ stop work _____ (give date and reason)

DATE PAID	HOURS WORKED	AMOUNT EARNED BEFORE TAXES	TIPS/ COMMISSION	EMPLOYER'S NAME AND ADDRESS

- If this person paid someone to take care of a child or disabled adult so he/she could work, fill in below. If the cost is new or has changed, send proof such as receipt.

Name of Child or Disabled Adult	Amount Paid	How Often Paid	Name of Person Paid

2160

(Turn to back of page)
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3. OTHER INCOME. Tell us if anyone in your home got or stopped getting income during the REPORT MONTH that was not from work. Examples are: SSI, VA, Social Security, child support, unemployment or workmen's compensation, grants/scholarships, or any other cash received in the REPORT MONTH. Report the amount of each payment. If the income is new or has changed or stopped, send proof. This may be things like award letters or a statement from the source of the income.

▶ DID ANYONE GET OR STOP GETTING ANY OTHER INCOME? /_/ YES, fill in below /_/ NO, go to 4

Name of Person Receiving Income	Source of Income	Date Received	Amount

4. PROPERTY OR OTHER RESOURCES. Tell us if anyone in your home bought, sold, traded, gave away, or received any property or had other changes in resources during the REPORT MONTH. Examples of property and resources are: car, truck, land, house, life insurance, stocks, bonds, bank accounts, etc. Send proof of the change such as deed, bill of sale, etc. It will be returned to you.

▶ WERE THERE ANY CHANGES IN PROPERTY OR OTHER RESOURCES?

/_/ YES, fill in below /_/ NO, go to 5

Kind of Property	What Changed?	Date	How Much You Got/Paid	How Much You Still Owe

IF YOU WERE GIVEN PROPERTY, HOW MUCH WOULD IT COST TO BUY? _____(Amount)

5. SHELTER/MEDICAL COSTS. Please answer the questions below so we can see if part of your housing, utility, and/or medical bills can be used to figure your food stamps. Send proof of costs if requested. If your household does not get food stamps, go to 6

▶ Was there a change in your rent or house payment, property taxes, insurance, etc.?
/_/ YES, tell new amount _____ and send proof such as rent receipt, tax, or insurance notice, etc.
/_/ NO

▶ Do you get bills for heat, lights, sewer, or water, etc.?
/_/ YES, tell amount for REPORT MONTH _____. Your worker will contact you if proof is needed.
/_/ NO

▶ Do you pay for a telephone?
/_/ YES
/_/ NO

▶ Did anyone in your home who was age 60 or older, or receiving SSA disability payments or SSI have medical costs over $35 during the REPORT MONTH?
/_/ YES, give name of person _____ and send proof such as receipts, etc.
/_/ NO

6. EXPECTED OR OTHER CHANGES. Tell us if there have been any other changes or if you are expecting any changes which might affect your case.

▶ ARE THERE ANY EXPECTED OR OTHER CHANGES TO REPORT? /_/ YES, explain below /_/ NO, go to 7

7. SIGN AND DATE THIS FORM ON OR AFTER THE LAST DAY OF THE REPORT MONTH. You must sign this form. If someone filled out this form for you, they must also sign their name.

I UNDERSTAND THAT:

- My AFDC/Medicaid and/or Food Stamp benefits may change or stop because of what I have said on this form.
- I have a right to ask for a fair hearing for any action I believe is not right.
- By signing my name, I am saying that I have told the truth the best I know. I understand that if I have not told the truth, I may be charged with fraud. If I am found guilty, I may have to pay a fine or be put in jail, or both.

▶ SIGN YOUR NAME (OR MARK)	Today's Date	Phone Number Where You Can Be Reached

Husband or Wife (If In Same Home)	Date	Person Completing Form/Witness to Mark	Date

• AS GUARDIAN or REPRESENTATIVE, I understand that I am responsible for reporting any changes in circumstances for the applicant/recipient. I have reported the above person's true circumstances.

Signature of Guardian or Authorized Representative	Today's Date

(S-1300 - 3-82)

Tennessee could better use the money it has cost to administer this mandatory monthly reporting system to upgrade our woefully inadequate grant levels (a family of four receives the maximum of $154 per month) and/or to increase staff so that applications could be promptly acted upon (in a recent month, almost ten percent of the applications pending had been waiting for over forty-five (45) days, a violation of the federal AFDC law).

But the problems just begin with AFDC monthly reporting. At least under AFDC the federal regulations are fairly flexible. But when AFDC monthly reporting is considered in conjunction with the soon-to-be implemented food stamp monthly reporting, it is clear that poor people in Tennessee are headed for deep trouble.

The basic problem is that the food stamp monthly reporting system is incompatible with AFDC monthly reporting and will result in huge confusion. The food stamp monthly reporting requirement is seemingly much more stringent than that of AFDC. More people will be involved in the process when food stamps are included and the current problems will be compounded. In some cases families will be operating under two different monthly reporting systems that require different actions. For example, in the case of AFDC, it appears that a recipient must report any changes that occur during a month as they occur in addition to making the monthly report. In food stamp reporting the monthly report is all that is required.

The complications that will be caused by these two different and difficult reporting systems are a problem for agencies and professionals as well as for recipients. In Tennessee, explaining the AFDC system to the Department's own workers took a fifty-three (53) page packet. But at least in AFDC the Department was able to focus on the relatively small numbers of people subject to monthly reporting and do intensive educational efforts with them. With food stamps, the numbers of cases to be processed and recipients to be helped with the reporting will be overwhelming.

Further hardship is imposed by retrospective budgeting. What retrospective budgeting amounts to is calculating a poor family's benefits based on what their situation was two months ago. In practice, this has turned out to be very punitive and a requirement that is at variance with a crucial element of our assistance system, that is that people should receive help based upon their current need.

The Tennessee Hunger Coalition would like to join with the Commissioner of the Tennessee Department of Human Services and with the heads of at last thirty-one other state welfare departments and urge Congress to make monthly reporting and retrospective budgeting optional for the state in both AFDC and food stamps. The states are in a much better position to decide which families should really be subjected to monthly reporting.

The whole monthly reporting process assumes that the amount of fraud occurring in these programs justifies such a gross imposition on people from the lowest socioeconomic class and that the resulting financial gain will outweigh the financial and human cost of requiring this kind of reporting. We do not believe this is true.

150 percent standard-of-need gross income limit

When Congress passed the law limiting eligibililty for AFDC to families with less than 150 percent gross income as compared to their state's standard of need, Congress did a unfair thing. This is the first time that an AFDC Standard of Need meant much of anything in most states. Before OBRA the standard of need had nothing much to do with grant levels or anything else. Perhaps it was for this reason that Tennessee, along with a number of other states, had not updated its standard of need since 1969. It is my understanding that the only reason it was done in 1969 was because of a federal requirement.

At any rate, Tennessee's standard of need is presently 51st in the country (counting D.C.). Here is the chart which shows what the 150 percent rule has done to Tennessee AFDC recipients.

TABLE VIII.—AFDC NEED AND PAYMENT STANDARDS

	No. of persons in aid group										
	1	2	3	4	5	6	7	8	9	10	11
Gross income standard	137	213	269	326	384	443	506	566	624	686	738
Consolidated standard	91	142	179	217	256	295	337	377	416	457	492
Ratably reduced standard	65	101	127	154	182	209	239	268	295	324	349
Maximum payment	65	101	127	154	182	209	220	220	220	220	220

Note.—Minimum payment $10 per month for any aid group.

Source: Tennessee Department of Human Services Family Assistance Manual, p. 273.

As this chart shows a family of four with over $326 before any deductions would be ineligible for AFDC. This means that no matter what the work deductions and work expenses are, the family is simply not eligible.

The 150-percent rule has been by far the single greatest cause of terminated AFDC cases in Tennessee. In October of 1981, the first month that the Omnibus Budget and Reconciliation Act (OBRA) was implemented, over 35,000 AFDC recipients were either terminated or reduced. Most of these were terminated. This number represents over ⅛ of the entire Tennessee case load The biggest single reason for the terminations was operation of the 150-percent rule.

Let me make it clear that even before the 150-percent rule most families with as much as $326 of monthly income were not receiving AFDC in Tennessee. Only those few families who had work income but work-related expenses such as childcare and transportation costs which put them under the grant level after a netting process were hurt. In other words, the 150-percent rule strongly penalized very low income working people and their children whose specific work circumstances involve more expenses than normal.

The Tennessee Hunger Coalition would urge that the 150-percent rule be amended out of the AFDC law.

4-month limit on earned income disregard

The Tennessee Hunger Coalition strongly believes that the four month limit on earned income disregard in the AFDC program should be eliminated for much the same reasons that we expressed above in comments on the 150-percent rule. In terms of sheer numbers this punitive section has not harmed as many Tennesseans as the 150-percent rule. The most basic reason for this is that our incredibly low grant levels and standard of need levels, combined with the operation of the 150-percent rule, leaves precious few people with earned income on the program anyway.

We are hard-pressed to find a good reason for this sort of punitive rule. The most likely result would seem to be that AFDC families needing to keep some AFDC or at least medicaid coverage would quickly learn not to accept work. This result seems to us unfortunate.

We assume that the basic purpose of the earned income disregards is to provide an incentive for AFDC caretakers to accept suitable work and ultimately not need welfare assistance. In fact, this purpose has to a great degree been accomplished by such policies as the $30 and ⅓ income disregards. In Tennessee, as in most states, the length of time af family spends on AFDC is rather short on the average. But the four month limit has negated this purpose to a large degree. Even if there were to be a limit, four months would make no sense. Four months is simply not long enough for a low income family dependent both on the cash assistance and medicaid to become self sufficient and totally dependent on earned income. We urge that the earned income disregard time limits be dropped.

CONCLUSION

These three changes we have advocated today would be small steps toward restoring some fairness to the AFDC and food stamp systems in Tennessee. Tennessee will not turn into a welfare paradise even with these changes. There will still be fewer households certified for food stamps in spite of the fact that more people are applying in a worse economic and unemployment situation than before OBRA. The denial rates for food stamps will probably remain around thirty-seven percent (37%). There will still be thousands of people fewer participating in the AFDC program than in September of 1981 even in the face of massively increased unemployment. There will probably be around thirty-five percent (35%) of those applying for AFDC denied service. There will still be no general assistance program in Tennessee to take up some of the slack. There will still be no AFDC-unemployed parent program.

However, in spite of all of this, it is still important, we believe, to make the small step toward restoring fairness for poor people that these hastily-passed and ill-considered changes helped to erode back in 1981.

STATEMENT OF MARY ANDERSON COOPER, ASSISTANT DIRECTOR, WASHINGTON OFFICE, NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

Ms. COOPER. Mr. Chairman and members of the subcommittee, I am Mary Anderson Cooper, assistant director of the Washington office of the National Council of Churches of Christ.

I appear before you today on behalf of the Health and Welfare Working Group of the National Council of Churches.

The Health and Welfare Working Group has designated welfare as one of its top priority concerns, along with the closely related issues of full employment, health care, and drug abuse and alcoholism.

The National Council of Churches of Christ in the U.S.A. is a cooperative agency of 32 protestant and orthodox bodies in this country. I do not purport to speak for all members of the communions which are constituent to the National Council of Churches. I am speaking for the governing board, the policymaking body which is composed of persons selected by member denominations in proportion to their size.

In the interest of time, I would like to abbreviate my remarks and ask that the full text appear in the record.

Chairman FORD. It will be made a part of the record.

Ms. COOPER. For many years the NCC has worked on behalf of low-income people in an effort to assure that everyone in this country has the opportunity to achieve a decent standard of living.

While we feel that this goal can best be attained by the healthy operation of a full employment economy, we realize that even in the best of times some of our brothers and sisters cannot and should not be expected to provide for their families through employment. These are not the best of times.

Millions of people seeking work cannot find jobs. Millions more are underemployed and other millions who have jobs cannot earn enough to cover basic family needs.

The budget cuts imposed on the Aid to Families with Dependent Children program in fiscal year 1982 have wrought havoc in the lives of thousands of families, causing incalculable deprivation, especially to children. We deplored these cuts and were appalled that the administration's proposals for fiscal year 1983 and fiscal year 1984 would have continued the pattern of denying to poor children and their families the most basic necessities for bare survival.

Let us be very clear that what we are talking about here is children; 60 percent of the recipients of AFDC are children, about half of whom are below the age of 9. The great majority of the adults are the mothers and other female caretakers of the youngsters.

Only 18 percent of all welfare families are headed by men—fathers, grandfathers, uncles, or stepfathers.

It is important to remember in this context that where AFDC benefits are reduced, it is not only the parents who suffer.

Overwhelmingly it is children who have less to eat, whose shelter is colder and more dilapidated, whose health needs go unattended. It is the next generation that is being punished and deprived for what society perceives as the inadequacies of their parents.

Our testimony will comment on most of the provisions of H.R. 2354, H.R. 2563, and H.R. 3512.

WORK DISINCENTIVES

According to a study by the Center for the Study of Social Policy, the 1981 AFDC cuts significantly reduced the disposable incomes of employed parents and their children.

Prior to fiscal year 1982, working AFDC mothers earning an average wage among their peers were able to bring their family incomes above the poverty line in 19 States.

After the 1981 cuts, the same families were below the poverty line in every State. In half of the States surveyed by the center, a working AFDC mother would have less disposable income than a mother who does not work. In only four States, South Carolina, Arkansas, Tennessee, and Mississippi, would she be substantially—at least $100 a month—better off because of working.

We have reviewed Chairman Ford's bill, H.R. 2354, and feel it is an important step in the direction of restoring the work incentives which the fiscal year 1982 budget cuts removed from the AFDC program. We commend the chairman for taking the initiative on this important issue.

If adopted by Congress, these provisions will help to assure that employed people receiving AFDC benefits would be better off than they were when they did not work.

In particular, we endorse the proposal in H.R. 2354 to repeal the 4-month limitation on the use of the $30 plus one-third work bonus and to increase the first $30 to $50.

As the $30 and one-third provision now operates, in most States a four-person family would lose eligibility for any AFDC supplement if the head of household has a minimum wage full-time job for over 4 months, even though its income is still below the poverty line.

The 4-month provision is especially punitive when combined with the gross income ceiling for AFDC also adopted in fiscal year 1982.

That ceiling is now set at 150 percent of the standard of need established by the recipient's State. In two-thirds of the States, even the 150 percent gross income limit is below the poverty level because the States have set their standards of need so very low.

By repealing the gross income limitation for AFDC families enacted by Congress in 1981, Chairman Ford's bill would make many of the working poor once more eligible for AFDC, thus providing relief for another one of our major concerns, which is the loss of medicaid eligibility.

In 22 States the working families excluded from AFDC benefits by their earnings also lose all medicaid coverage. Because of the 1981 budgt cuts, some of the remaining States are now restricting or planning to drop medicaid coverage for the working poor.

We have long supported efforts to provide adequate health care coverage for all Americans as a matter of entitlement. We reject all of the changes in the AFDC program—proposed and enacted—which deny our poorest citizens the basic health care to which they have a right.

We are convinced that the cost of providing them with such care is minor compared to the cost both in human suffering and in dollars of allowing illness and handicapping conditions to go untreated.

The National Council of Churches has long supported the concept of full employment. We worked hard for the passage of the Humphrey-Hawkins Full Employment and Balanced Growth Act in 1978 and we regret very much that it has not been implemented.

We are convinced that the best way for a person to leave the welfare rolls is to work his or her way off, not to be forced out by administrative changes. However, we feel that the work requirements now being imposed by some States contain no hope for such personal growth.

Generally they make no provision for job training and placement services and include no assurance of the protections for the worker's safety and income which are normally part of employment.

We believe that workfare programs will prove to be extremely difficult and costly to administer; but, more importantly, we feel that the workfare programs degrade the very concept of employment. They both insult the worker and demean the work.

We advocate a genuine job-creation program with genuine work training and job placement components.

We would also support an amendment to correct an inequity in the present law, under which States may require a recipient to work off an entire AFDC grant even though part of it may be reimbursed through child support enforcement collections.

We advocate the repeal of the requirements for mandatory monthly reporting and retrospective budgeting enacted in 1981. The proposal in representative Stark's bill, H.R. 3512, to make MRRB a State option is an important step in the right direction, and we support it.

We particularly favor the provision which would allow Federal matching for supplements granted by States to people in special need. The current law requires massive additional bureaucracy and does not have an impressive record for cost-saving where it has been implemented.

The monthly reporting requirement imposes a terrible burden on some AFDC recipients whose lack of language skills makes it difficult or impossible for them to comply with the eligibility requirements by filling out a complex form each month.

The retrospective budgeting requirement is another major problem for AFDC recipients. It requires that benefits be awarded on the basis of income in the prior month instead of current income. This does not diminish assistance for needy families as long as their earned income stays the same.

The problems arises when a family suffers a reduction of income, such as the loss of the breadwinner's job. Under the current retrospective budgeting law, that family would not be able to receive any increase in AFDC payments for up to 2 months despite the need for immediate assistance to offset the loss of wages.

We believe that, for as long as these provisions remain in the law, adequate safeguards should be built in to protect participants against discrimination, such as that sometimes practiced against

those who read or write English poorly and are held to be in noncompliance because they are unable to fill out the forms fully.

Sometimes that is the only thing that keeps families from being eligible for AFDC assistance.

We particularly commend the provision in representative Stark's bill which would allow those States not now providing AFDC–U coverage to test various means of providing some aid to intact families.

The national council has in the past supported proposals to mandate AFDC–U nationwide, and that is still our preference.

Nonetheless, we welcome this initiative to extend some assistance to needy families who are not now covered. We feel it is contrary to equity and justice to deny benefits to children because their father lives with them.

The 6 months of AFDC coverage for intact families permitted under H.R. 3512 in those States now without AFDC–U would at least give those heads-of-households who have the potential of getting a job some breathing space in which to look for work.

Mr. Stark's proposal contains a strict work requirement. We would hope that the regulations governing such a provision would require (1) that participants in the program be given adequate opportunity to seek more meaningful and permanent work; and (2) that the worker protections mentioned above be provided.

Both Mr. Stark's bill, H.R. 3512, and Mr. Campbell's bill, H.R. 2563, provide for pilot projects intended to simplify the administration and improve the delivery of certain social services.

Mr. Campbell's proposal would establish from four to eight projects, no more than two of which could be statewide. It calls for development of common definitions for all related programs, and creation of a single profile for each family which would be usable by all programs.

The programs would be administered from a central location and funds saved would be returned to the programs for use as benefit payments.

Mr. Stark's proposal relates specifically to the AFDC, food stamp, and medicaid programs and would establish five projects. The bill requires the development of common definitions, budgeting procedures, and eligibility standards for the three programs. There would be a single profile developed for each participating family and the same application form and process would apply to all three programs.

Mr. Stark's bill also proposes that the food stamp program's resource test be adopted for AFDC. Specifically this would mean excluding burial plots, preplanned funeral arrangements, and property a family is trying to sell from the list of assets used to determine eligibility for AFDC. We support this proposal.

We commend Mr. Stark and Mr. Campbell for the initiative they have taken on this issue. Certainly the process of applying for means-tested programs has been difficult and degrading for recipients in the past. The differences in definitions, assets tests, and eligibility standards are confusing to applicants and caseworkers alike. We welcome the effort to simplify the process.

We do have some concerns about these proposals, however. The primary one is that no one should be less well off as a result of the

demonstration project than he or she would be under the current law.

We suggest that the proposals be amended to require that, when several definitions or standards are being compared, the ones which assure the greatest amount of coverage for the largest number of people be the ones incorporated into the pilot project.

Since creation of the proposed demonstration projects could lead to substantial changes in the way social welfare programs are administered, we feel that procedures proposed for implementing the local programs should be widely published so that the public can react and give its input.

Such safeguards are already in place in demonstration projects for handicapped programs, and we urge that welfare recipients have the same protections.

There is one part of H.R. 3512 which the National Council of Churches opposes. This is the provision that the income of a sponsoring agency may be considered when determining the eligibility for AFDC of a nonrefugee alien. there is no legal requirement that sponsors assume financial responsibility for aliens who are in need. The commitment to provide aid is a moral one which is not legally enforceable.

Consequently, there is no reason to assume that a sponsor would or could provide financial assistance, though many of them have done so. This proposal might very well discourage organizations from becoming sponsors if they thought it involved this sort of financial commitment.

This proposal also appears to us to be one which would discriminate against noncitizens. U.S. citizens who apply for welfare are, quite rightly, assumed to have access only to the income of their own households. This provision would make very different assumptions about noncitizens—assumptions not necessarily based on fact—which would make it very nearly impossible for them to receive assistance or organizational sponsors.

Church World Service, an agency of the National Council of the Churches of Christ, is heavily involved in refugee resettlement and other issues related to immigration. It is a CWS policy to discourage aliens from applying for AFDC or from becoming dependent on any government program.

Newcomers to this country are helped, instead, to learn English and become self-sufficient as quickly as possible.

Nonetheless, we feel they should have the same opportunities, when they are in need, that citizens have, and that includes access to AFDC.

For as long as the religious community has existed, it has been involved in feeding the hungry, clothing the naked, housing the homeless and caring for orphans, the sick, the handicapped, and the elderly.

The best efforts of the church have never been enough to meet the need, even when the economy has been healthy and vigorous. Now churches and social service agencies are suffering reduced funding at the same time that they face rapidly increasing requests for assistance.

From all parts of the country, we are hearing extremely distressing reports about the extent of real poverty among the people

served by our agencies, and about the growing inability of those agencies to meet the need.

Our involvement as members of the national board for distribution of emergency food and shelter funds under Public Law 98-8 only confirms our belief that poverty, hunger and homelessness are increasing dramatically and that help is desperately needed.

Mr. Chairman, we commend you and the Public Assistance Subcommittee for holding this hearing, and we thank you for giving us the opportunity to share our views and concerns with you.

[The prepared statement follows:]

STATEMENT OF MARY ANDERSON COOPER, ASSISTANT DIRECTOR, WASHINGTON OFFICE, NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE USA

INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am Mary Anderson Cooper, Assistant Director of the Washington Office of the National Council of Churches. I appear before you today on behalf of the Health and Welfare Working Group of the National Council of Churches. The Health and Welfare Working Group has designated welfare as one of its top priority concerns, along with the closely related issues of full employment, health care, and drug abuse and alcoholism.

The National Council of Churches of Christ in the USA is a cooperative agency of thirty-two Protestant and Orthodox bodies in this country. I do not purport to speak for all members of the communions which are constituents to the National Council of Churches. I am speaking for the Governing Board, the policy-making body which is composed of persons selected by member denominations in proportion to their size. It is this group which determines the policy positions through which the Council seeks to fulfill its expressed purpose "to study, and to speak and to act on conditions and issues in the nation and the world which involve moral, ethical and spiritual principles inherent in the Christian gospel."

In a 1966 Policy Statement entitled "The Churches' Concern for Public Assistance," the Governing Board of the National Council of Churches said, ". . . our Judeo-Christian ethic of justice makes mandatory the development of economic policies and structures under which all people, regardless of employment status, are assured an adequate livelihood."

As early as 1954, our ethical concerns regarding income maintenance were outlined in a Policy Statement on "Christian Principles and Assumptions of Economic Life," which said:

"All the resources of the earth . . . are gifts of God, . . . God is the only absolute owner. . . . That the material needs of men be met through their economic institutions and activities is one condition of their spiritual growth. . . . Christians should work for a situation wherein all have access at least to a minimum standard of living . . . Great contrasts between rich and poor in our society tend to destroy fellowship, to undermine equality of opportunity, and to undercut the political institutions of a responsible society."

As these statements illustrate, the National Council has long been committed to improving the lives of the nation's poor through employment opportunity, guaranteed income, and provisions of adequate social services. For many years the NCC has worked on behalf of low-income people in an effort to assure that everyone in this country has the opportunity to achieve a decent standard of living. While we feel that this goal can best be attained by the healthy operation of a full employment economy, we realize that even in the best of times, some of our brothers and sisters cannot and should not be expected to provide for their families through employment. These are not the best of times. Millions of people seeking work cannot find jobs. Millions more are underemployed. And other millions who have jobs cannot earn enough to cover basic family needs.

The budget cuts imposed on the Aid to Families with Dependent Children program in fiscal year 1982 have wrought havoc in the lives of thousands of families, causing incalculable deprivation, especially to children. We deplored these cuts and were appalled that the Administration's proposals for fiscal year 1983 and fiscal year 1984 would have continued the pattern of denying to poor children and their families the most basic necessities for bare survival.

Let us be very clear that what we are talking about here is children; 60 percent of the recipients of AFDC are children, about half of whom are below the age of nine.

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The great majority of the adults are the mothers and other female caretakers of the youngsters. Only 18 percent of all welfare families are headed by a man—fathers, grandfathers, uncles or stepfathers. It is important to remember in this context that where AFDC benefits are reduced, it is not only the parents who suffer. Overwhelmingly, it is children who have less to eat, whose shelter is colder and more dilapidated, whose health needs go unattended. It is the next generation that is being punished and deprived for what society perceives as the inadequacies of their parents.

Our testimony will comment on most of the provisions of H.R. 2354, H.R. 2563, and H.R. 3512.

WORK DISINCENTIVES

According to a study by the Center for the Study of Social Policy, the 1981 AFDC cuts significantly reduced the disposable incomes of employed parents and their children (see Table 5, attached). Prior to fiscal year 1982, working AFDC mothers earning an average wage among their peers were able to bring their family incomes above the poverty line in 29 states. After the 1981 cuts, the same families were below the poverty line in every state. In half of the states surveyed by the Center, a working AFDC mother would have less disposal income than a mother who does not work. In only four states (South Carolina, Arkansas, Tennessee and Mississippi) would she be substantially (at least $100 per month) better off because of working.

We have reviewed Chairman Ford's bill, H.R. 2354, and feel it is an important step in the direction of restoring the work incentives which the fiscal year 1982 budget cuts removed from the AFDC program. We commend the Chairman for taking the initiative on this important issue. If adopted by Congress, these provisions will help to assure that employed people receiving AFDC benefits would be better off than they were when they did not work.

In particular, we endorse the proposal in H.R. 2354 to repeal the four month limitation on the use of the "$30 plus one-third" work bonus and to increase the first $30 to $50. As the "$30 and one-third provision now operates, in most states a four-person family would lose eligibility for any AFDC supplement if the head of household has a minimum wage full-time job over four months, even though its income is still below the poverty line. The four-month provision is especially punitive when combined with the gross income ceiling for AFDC also adopted in fiscal year 1982. That ceiling is not set at 150 percent of the standard of need established by the recipient's state. In two-thirds of the states, even the 150 percent gross income limit is below the poverty level because the states have set their standards of need so very low.

By repealing the gross income limitation for AFDC families enacted by Congress in 1981, Chairman Ford's bill would make many of the working poor once more eligible for AFDC, thus providing relief for another one of our major concerns.

LOSS OF MEDICAID ELIGIBILITY

In 22 states the working families excluded from AFDC benefits by their earnings also will lose all Medicaid coverage. Because of the 1981 budget cuts, some of the remaining states are now restricting or planning to drop Medicaid coverage for the working poor.

When working families will lose Medicaid coverage for their children because they work, and when their disposal incomes are not much higher than the incomes of those who do not work, the pressure to leave work or to decline the opportunity to earn more is bound to increase.

We have long supported efforts to provide adequate health care coverage for all Americans as a matter of entitlement. We reject all of the changes in the AFDC program—proposed and enacted—which deny our poorest citizens the basic health care to which they have a right. We are convinced that the cost of providing them with such care is minor compared to the cost both in human suffering and in dollars of allowing illness and handicapping conditions to go untreated.

WORK REQUIREMENT

The National Council of Churches has long supported the concept of Full Employment. We worked hard for the passage of the Humphrey-Hawkins Full Employment and Balanced Growth Act in 1978 and we regret very much that it has not been implemented. We are convinced that the best way for a person to leave the welfare rolls is to work his or her way of, not to be forced out by administrative changes. However, we feel that the work requirements now being imposed by some states contain no hope for such personal growth. Generally, they make no provision for job

training and placement services, and include no assurance of the protections for the worker's safety and income which are normally part of employment. Rather, these plans appear to be punitive, intended to force people into jobs which are so unpleasent and unrewarding that they would rather leave the welfare rolls than take the required jobs. We believe that workfare programs will prove to be extremely difficult and costly to administer; but more importantly, we feel that the workfare programs degrade the very concept of employment. They both insult the worker and demean the work.

We advocate a genuine job-creation program with genuine work training and job placement components. Punishing people for their unemployment by forcing them into dead-end jobs will contribute nothing towards helping them to become self-sufficient. What they need is an opportunity to learn job skills which will enable them to support their families.

We would also support an amendment to correct an inequity in the present law, under which states may require a recipient to work off an entire AFDC grant even though part of it may be reimbursed through Child Support Enforcement collections. If the state does not actually pay the entire amount, it is exploitative to compel an individual to provide labor equal to the full amount.

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING

We advocate the repeal of the requirements for mandatory monthly reporting and retrospective budgeting (MRRB) enacted in 1981. The proposal in Representative Stark's bill (H.R. 3512) to make MRRB a state option is an important step in the right direction, and we support it. We particularly favor the provision which would allow federal matching for supplements granted by states to people in special need. The current law requires massive additional bureaucracy and does not have an impressive record for cost-saving where it has been implemented. In several states, it has still not been implemented nearly a year after the deadline because of the difficulty of putting it in place.

The monthly reporting requirement imposes a terrible burden on some AFDC recipients whose lack of language skills makes it difficult or impossible for them to comply with the eligibility requirements by filling out a complex form each month.

The retrospective budgeting requirement is another major problem for AFDC recipients. It requires that benefits be awarded on the basis of income in the prior month, instead of current income. This does not diminish assistance for needy families as long as their earned income stays the same. The problem arises when a family suffers a reduction of income, such as the loss of the breadwinner's job. Under the current retrospective budgeting law, that family would not be able to receive any increase in AFDC payments for up to two months despite the need for immediate assistance to offset the loss of wages.

We believe that, for as long as these provisions remain in the law, adequate safeguards should be built in to protect participants against discrimination, such as that sometimes practiced against those who read or write English poorly and are held to be in noncompliance because they are unable to fill out the forms fully. The law should be amended to require the Secretary of Health and Human Services to establish standards by which to review the forms developed by the states to assure that they are neither discrminatory nor excessively complex.

AFDC—UNEMPLOYED PARENTS

We particularly commend the provision in Representative Stark's bill which would allow those states not now providing AFDC-U coverage to test various means of providing some aid to intact families. The National Council has in the past supported proposals to mandate AFDC-U nationwide, and that is still our preference. Nonetheless, we welcome this initiative to extend some assistance to needy families who are not now covered. We feel it is contrary to equity and justice to deny benefits to children because their father lives with them.

The six months of AFDC coverage for intact families permitted under H.R. 3512 in those states now without AFDC-U would at least give those heads-of-households who have the potential of getting a job some breathing space in which to look for work. Mr. Stark's proposal contains a strict work requirement. We would hope that the regulations governing such a provision would require: (1) that participants in the program be given adequate opportunity to seek more meaningful and permanent work; and (2) that the worker protections mentioned above be provided.

We support the proposal in H.R. 3512 which would allow vocational and high school students to receive AFDC benefits through age 20. One of the most important

roads out of welfare is education, and we believe it is right to enable young people to stay in school even though they have progressed slowly.

ADMINISTRATIVE CHANGES

Both Mr. Stark's bill (H.R. 3512) and Mr. Campbell's bill (H.R. 2563) provide for pilot projects intended to simplify the administration and improve the delivery of certain social services.

Mr. Campbell's proposal would establish from four to eight projects (no more than two of which could be statewide). It calls for development of common definitions for all related programs, and creation of single profile for each family which would be usable by all programs. The programs would be administered from a central location and funds saved would be returned to the programs for use as benefit payments.

Mr. Stark's proposal relates specifically to the AFDC, food stamp, and Medicaid programs and would establish five projects. The bill requires the development of common definitions, budgeting procedures, and eligibility standards for the three programs. There would be a single profile development for each participating family and the same application form and process would apply to all three programs.

Mr. Stark's bill also proposes that the Food Stamp Program's resource test be adopted for AFDC. Specifically, this would mean excluding burial plots, preplanned funeral arrangements, and property a family is trying to sell from the list of assets used to determine eligibility for AFDC. We support this proposal.

We commend Mr. Stark and Mr. Campbell for the initiative they have taken on this issue. Certainly the process of applying for means-tested programs has been difficult and degrading for recipients in the past. The differences in definitions, assets tests, and eligibility standards are confusing to applicants and caseworkers alike. We welcome the effort to simplify the process.

We do have some concerns about these proposals, however. The primary one is that no one should be less well off as a result of the demonstration project than he or she would be under the current law. We suggest that the proposals be amended to require that, when several definitions or standards are being compared, the ones which assure the greatest amount of coverage for the largest number of people be the ones incorporated into the pilot project.

Since creation of the proposed demonstration projects could lead to substantial changes in the way social welfare programs are administrated, we feel that procedures proposed for implementing the local programs should be widely published so that the public can react and give its input. Such safeguards are already in place in demonstration projects for handicapped programs, and we urge that welfare recipients have the same protections.

SPONSORSHIP OF ALIENS

There is one part of H.R. 3512 which the National Council of Churches opposes. This is the provision that the income of a sponsoring agency may be considered when determining the eligibility for AFDC of a non-refugee alien. There is no legal requirement that sponsors assume financial responsibility for aliens who are in need. The commitment to provide aid is a moral one which is not legally enforceable. Consequently, there is no reason to assume that a sponsor would or could provide financial assistance, though many of them have done so. This proposal might very well discourage organizations from becoming sponsors if they thought it involved this sort of financial commitment.

This proposal also appears to us to be one whch would discriminate against non-citizens. U.S. citizens who apply for welfare are—quite rightly—assumed to have access only to the income of their own households. This provision would make very different assumptions about non-citizens—assumptions not necessarily based on fact—which would make it very nearly impossible for them to receive assistance.

Church World Service, an agency of the National Council of the Churches of Christ, is heavily involved in refugee resettlement and other issues related to immigration. It is a CWS policy to discourage aliens from applying for AFDC or from becoming dependent on any government program. Newcomers to this country are helped, instead, to learn English and become self-sufficient as quickly s possible. Nonetheless, we feel they should have the same opportunities, when they are in need, that citizens have, and that includes access to AFDC.

CONCLUSION

We support all of the remaining provisions of the three bills before the Subcommittee.

Mr. Chairman, America is a rich and abundant land—a land of opportunity, where people should be able to improve their lot in life by virtue of their own work; and yet the situation for our poorest people is that if they try to work their way off welfare, they'll lose their benefits and become poorer. If they work to give their children a better like, they may lose their health care protection. If they stay at home to care for their toddlers, they are forced into dead-end jobs that don't provide training and do not lead to advancement. We can do better than that.

This nation's message to our low-income citizens should be that we will care adequately for those who are dependent upon the government for their care, and that we will do everything in our power to encourage and enable those who are in need but can become independent to do so. The 1981 changes in AFDC simply guarantee our neediest brothers and sisters a life of perpetual poverty and dependence, and they need to be reversed.

For as long as the religious comunity has existed, it has been involved in feeding the hungry, clothing the naked, housing the homeless, and caring for orphans, the sick, the handicapped, and the elderly. The best efforts of the Church have never been enough to meet the need, even when the economy has been healthy and vigorous. Now churches and social service agencies are suffering reduced funding at the same time that they face rapidly increasing requests for assistance.

From all parts of the country, we are hearing extremely distressing reports about the extent of real poverty among the people served by our agencies, and about the growing inability of those agencies to meet the need. Our involvement as members of the National Board for distribution of emergency food and shelter funds under Public Law 98-8 only confirms our belief that poverty, hunger and homelessness are increasing dramatically and that help is desperately needed.

Mr. Chairman, we commend you and the Public Assistance Subcommittee for holding this hearing, and we thank you for giving us the opportunity to share our views and concerns with you.

A PRONOUNCEMENT

A Policy Statement of the National Council of the Churches of Christ in the United States of America

CHRISTIAN PRINCIPLES AND ASSUMPTIONS FOR ECONOMIC LIFE

Adopted by The General Board
September 15, 1954

Introduction

Christian churches have as a prime objective their ministry to individuals, and therefore have also a basic relationship and responsibility to the society which they seek to serve. Their role in that society has two aspects.

One of their responsibilities is the conservation and promotion in that society of such values as justice and freedom.

The other responsibility is prophetic, in the scriptural sense of trying to view all human relations and institutions in the light of the teachings of the Gospel. It involves leadership in the continuous struggle so to improve what is that it moves toward what ought to be, according to that standard. This means pointing out and trying to correct imperfections and abuses.

These roles – the conserving and the prophetic – are both essential. There is a complicating factor, however, in the position of our American society in the world today. We believe that from the Christian standpoint free democratic institutions are clearly superior to any form of totalitarianism. But our way of life has been challenged by totalitarian philosophies and practices, especially communism, which are competing with it for the loyalty of men around the world.

In this situation many of our people are inclined to discourage or neglect self-criticism; but self-criticism is a normal aspect of health and strength and a means of growth in a democracy. Any admission of fault or failure in our society may be falsely construed as giving aid and comfort to enemies, even as disloyal or subversive. The prophetic role of the Church thus becomes especially difficult.

Yet the churches dare not abandon the prophetic role. To do so would be to yield leadership for peace and freedom and justice and to disregard the churches' mandatory responsibility under the Gospel. When we cease to strive and speak for a society based upon these values, we give the impression that we have ceased to care about them.

The statement which follows is concerned with basic principles and assumptions in relation to economic life in the light of the teachings of the Gospel, together with the function of the churches and the attitude of individual Christians. It seeks to maintain an appropriate balance between the conserving and the prophetic roles of the Church.

Fundamental Religious and Ethical Assumptions

God as we know him through Christ is the God of history, of nations and peoples, as well as of individual souls. It is his will that his Kingdom be realized among men and that his lordship be acknowledged over all principalities and powers, over every department of life, including economic institutions and practices. The Church is under a divine imperative to call all men – and especially its own members – to recognize the meaning of God's lordship over their economic activities. "Thy kingdom come, they will be done, on earth."

All the resources of the earth – such as land and water and mineral deposits, which under the laws of man become private or public property – are gifts of God, and every form of ownership or use of such property should be kept under such scrutiny that it may not distort the purpose of God's creation. God is the only absolute owner. Every Christian particularly should look upon all of his possessions, as well as his talents, as a trustee, and should use them in the light of his understanding of God's purpose for him. "The earth is the Lord's, and the fulness thereof."

All men are created in the image of God; and, though they are in history sinful and rebellious as the slaves of their own self-will, God seeks to redeem them from their self-centeredness. Men experience freedom in the measure in which they are willing to become God's servants, and to allow God as revealed in Christ

to become the center of their lives and the pattern of their living.

This teaching about man is the Christian basis for belief in the dignity and possibilities of all persons, whatever their status in the economic order. Persons uniquely combine body and spirit, and the needs of both should be emphasized in the Christian Church. That the material needs of men be met through their economic institutions and activities is one condition of their spiritual growth. "Give us this day our daily bread."

Men were made to love one another, and to live as members of a community that transcends all barriers of race or nation or class. All economic institutions and practices that tend to divide men because they enhance false pride, covetousness, and bitterness, or encourage laziness or the selfish use of power, stand under Christian moral judgment. The Church should seek to influence the development of economic life in such a way that economic institutions, policies, and practices are favorable to right relations between people. "You shall love your neighbor as yourself."

Freedom is another basic value which enters into all human relations. Spiritual and cultural aspects of freedom are primary in society, and essential to its full development in accord with Christian principles. It is therefore important to consider the ways in which this freedom is influenced, for good or ill, by the institutions and practices of economic life. The basis of real freedom is expressed in the words: "We must obey God rather than men."

Economic institutions and activities should serve the whole man – body and spirit. A rising standard of living is desirable, but it may tend in a rich society to create wants and to over-emphasize the acquisition and enjoyment of material things in a way incompatible with Christian purpose. "Man shall not live by bread alone."

These fundamental principles should be represented and reflected in the working of any economic system. Economic institutions and activities should never become a law unto themselves. Their purpose is to serve human need. "You will know them by their fruits."

Certain Misconceptions

The churches in their teaching and behavior, however, have often obscured the fundamental principles we have stated above because of certain misconceptions, which can be appraised now more easily than in earlier times.

One of these misconceptions is the belief that some particular economic system is ordained by God. This belief has been applied to slavery and to feudalism; often also to the idea that the possession of wealth is a mark of the divine favor. Through the centuries even the Church has often taken a passive attitude toward the secular status quo simply because it exists, and therefore must exist by divine providence. Indeed the Christian tradition itself has been often thus interpreted. We now recognize that God's providence may work for preservation, modification, or displacement of some existing forms of economic institutions or for the creation of some new forms. Though God works within a changing order, there is no automatic progress in history. Change does not always mean progress. Sinful human choices go into the making of new social structures as well as into the maintenance of the old. To both new and old forms of economic life Christians should bring criticism or appreciation from minds made sensitive by God's spirit.

Another misconception is that in basic economic relationships benevolent intentions justify domination by those who have superior status and power. Benevolent intentions have been used with sincerity at one time or another to justify slavery, to give religious sanction to white supremacy and the continuance of imperialism, to prevent the poor from having education or the suffrage, or to discourage constructive land reform or the organization of labor. It is also true that sincerely benevolent intentions have been used to justify many impracticable or wrongful means and some mistaken goals of economic reform. The splintering of political and economic entities, the distribution of land into uneconomic units, or the use of intimidation or violence in the organizing efforts of any economic group should thus be questioned. It is quite as true of irresponsible economic power as of irresponsible political power, that such power tends to corrupt those who exercise it.

In some situations Christians have had the misconception that the one sure road to economic justice is the socialization of all the major means of production. During periods of exploitation of large classes of the population, and also in times of depression and unemployment, it was understandable that some Christians and others concerned about the welfare of the victims of the situation should regard every move toward increasing social control as an advance. Today we have enough knowledge of what happens under a thoroughgoing collectivism to realize that uncritical recourse to the state to remedy every evil creates its own evils. It may easily become a threat to freedom as well as to efficiency. The union of political and economic power is a dangerous road, whether it leads toward complete state control of economic life or toward control of the state by private centers of economic power. A wide distribution of centers of power and decision is important to the preservation of democratic freedom.

In contrast to the above misconception that socialization is an easy road to justice is another misconception held by some sincere Christians that a maximum of individual economic freedom will by itself create the economic conditions that contribute to a good society. On the contrary, the weight of evidence shows

that some use of government in relation to economic activities is essential to provide the environment in which human freedom can flourish.

Recognition and correction of these misconceptions have come both through the continuous working out of the meaning of the Christian faith and ethic and as a result of external events which the Church has had to recognize. Rapid and profound changes in recent centuries have made it difficult to regard any particular economic institutions as final or as ordained by God. Exploited or neglected classes and races have won new political and social power, challenging the claims of previous holders of such power. In turn, holders of newly won power often come to regard too lightly their social responsibilities. In some countries, as in our own, the possibilities of a combination of individual freedom and social responsibility have been encouragingly indicated and continue to be explored, along with the relationship between government and private or semi-private economic groups.

Applications of Ethical Principles in the Economic Order

The body of Christian teaching that has been developed in relation to economic institutions involves principles not easily harmonized, nor easily applied to concrete institutions, policies, and practices; and yet all of them have a rightful claim upon the Church and the Christian.

For example, in the present world situation there are real conflicts between such positive values as order and freedom, or order and justice, or justice and freedom. An economic system that neglects any one of those values will become intolerable. There is no completely "Christian economic system," suitable for all situations everywhere. It is however true that specific aspects and features of any economic system can be reviewed to determine the extent to which they are consistent with Christian teachings. Christians should be guided by their ethic to seek such adjustments of economic institutions and practices as will serve most fully the three positive values of justice and order and freedom.

We can suggest here only briefly some norms for guidance of Christians in their judgment of economic institutions and practices and in their personal decisions in their various occupations.

1. All ethical demands upon economic institutions must take account of the importance of efficiency and productivity in the satisfying of human needs, as essential marks of a sound economy which seeks the maximum welfare of the greatest number of people.

2. Christians should work for a situation wherein all have access at least to a minimum standard of living. Such a minimum should be sufficient to permit care of the health of all and for suitable protection of the weaker members of society, such as children, the sick, the aged, and the incapacitated. It should protect the able-bodied against hazards beyond their control.

3. All youth should have the right to equal opportunities to develop their capacities, in so far as society can provide them, through equal access to the means of health, education, and employment.

4. Economic institutions should be judged also by their impact upon the family – which involves standards of living, hours of labor, stability of employment, provision for housing, and the planning of cities, especially in relation to their industrial development and the elimination of blighted areas.

5. It is a clear Christian responsibility to work against those special forms of economic injustice that are expressed through racial and other group discrimination.

6. Every able-bodied adult has an obligation and the right to an opportunity to serve the community through work. He should take responsibility for supporting himself and his family. As an employee he has the same obligation to do an honest day's work as his employer has for paying a fair wage. Full recognition should be given to work of women in the home and to the useful forms of voluntary work that both men and women are called upon to perform apart from "the job" in the narrow sense. Large-scale unemployment, or long-continued unemployment for any considerable number of persons able and willing to work is intolerable. It ordinarily indicates defects in or relaxation of social and economic safeguards. All practicable safeguards should be provided and maintained.

7. Economic institutions should make constructive use of such motives as the desire for economic security, the desire to improve the economic conditions of one's family, the desire for wider scope for one's capacities, the desire for social approval; but under Christian influences these motives should be kept in harmony with concern for the welfare of the community and with the individual's sense of Christian vocation. The Church should keep under the strongest criticism any economic institutions and practices which emphasize self-interest above social responsibility and which develop a moral climate within which the most highly honored success is in acquiring money. It should encourage economic practices and institutions which foster relations of mutual aid and co-operation.

8. Since private ownership of many forms of property is a stimulus to increase production of goods and services, and a protection to personal freedom, wider ownership among our people should be encouraged. But there are fundamental moral

differences between the ways of acquiring property as well as between the ways of using it. Property, and position, too, which give men great power over the lives and economic situations of others, require constant moral scrutiny.

9. Great contrasts between rich and poor in our society tend to destroy fellowship, to undermine equality of opportunity, and to undercut the political institutions of a responsible society. Those who benefit by such inequalities are easily self-deceived when they seek to justify their own privileges, just as others may deceive themselves by failing to recognize as envy their own feelings toward the more deserving or more fortunate.

Some inequalities of wealth and income are necessitated, in our society, both because of differences in service or function, and because of the great danger to freedom in trying to eliminate them completely. Christians should disapprove inequalities beyond the limits set by a broad view of justice and of the well-being of society. There is an unresolved dilemma here. On the one hand, there is the Christian concern about injustice that may be involved in inequalities. On the other hand, there is the need of the incentive to initiative and productivity that is provided when income varies with contribution. Christian scrutiny should accept the validity of this experience but may well question many conventional appraisals of the value of a particular kind of contribution.

10. Economic institutions should not restrict politically freedom of any person and his participation in the common life. Such freedom tends to maintain a balance between the necessary role of government at its various levels, on the one hand, and, on the other hand, the activity of private business, labor unions, and many other types of voluntary organization.

11. Economic decisions are in increasing measure group decisions, involving often political as well as economic forms of organization. The Christian's vocation includes his finding his place within those political and economic movements which hold the greatest promise for the realization of the purposes indicated in this statement.

12. Christian responsibility for economic life must take into account also the needs of the whole world. The response to these needs involves the relation between production, distribution, and population. In some situations attention must be given to education for population control or to opportunities for migration; in others, to increase of productivity; and, in still others, to the elimination of artificial barriers to distribution. The relation between the obligation of Christians in the United States for preserving the health of economic institutions in their own country and their responsibility to people in the less favored countries often involves difficult moral problems. Every national policy should be viewed in relation to its consequences for the lives of people everywhere. Consideration must be given to its effect upon good relations between nations and upon the development of a peaceful world. We should practice tolerance toward the economic experiments of other peoples, in their exercise of freedom, though Christians will judge each experiment by the same basic moral standards that we apply to our own.

13. In recent generations there have been great movements of protest against unjust inherited privileges and institutional relationships. Christians may properly welcome the rise of such protests, as distinct from some of the methods used or the outcomes of many such movements. Sometimes movements of social protest have rejected the Church and the Christian faith and have developed ideologies, often based on illusory hopes, that have become for millions of people inadequate substitutes for religion. The Christian Church should do all that it can to disclose the illusions in these ideologies and to confront the world with the Gospel in its fullness; but at the same time it should in humility not forget that it has often obscured the radical ethical demands of the Gospel and that it shares responsibility for the resulting spiritual confusion.

The Contributions of the Church

The central contribution of the churches to the solution of economic problems is to help their members turn Christian principles into attitudes that motivate conduct. These attitudes grow out of faith in God's righteousness and love. Two attitudes should be emphasized: (1) love that takes the form of sensitive concern for the welfare of all persons and that seeks to raise the level of justice in economic institutions; (2) humility that comes when the Christian sees himself and his own social group under the judgment of God. This humility enables him to be critical of the tendencies in himself to seek power over others, to take more privilege for himself than is just, and to exaggerate the truth on his own side of any conflict of interest. One of the important signs of such humility is willingness to listen to others in a spirit of fairness.

The churches should seek also to develop among their members the idea of Christian vocation in all constructive work. The Church must make its influence felt in economic life chiefly through the decisions of its laymen in their various occupations — as employers, as employees, as producers and consumers, and as citizens. The Christian is called to commit himself to God's purpose in every area of his life, and usually there is no more important area than his way of making a living. Each Christian needs to seek distinctive Christian guidance for his role in the economic order.

The churches themselves own property, invest funds, and employ labor. Often their policies have been no better than those which the Church condemns in the secular world. Its divisions often reflect and seem to give a religious sanction to the social divisions that are characteristic of society at large. In all these matters judgment should "begin at the house of God."

The Church recognizes that there are technical elements in most controversial issues which call for special knowledge and experience; that important relevant factors are often difficult to ascertain, especially in the confusion of propaganda; and that many essential elements should be blended in judgments that the Church or its members make about economic issues. This blending involves constant correction by those whose training and experience qualify them to speak on specific aspects of any problem; as well as by effective representation of all the social groups upon which economic decisions may have quite different effects.

Thus no one of these requisites can be omitted: Christian objectives, standards, and attitudes; technical knowledge; seasoned judgment based upon actual participation in economic activities; and awareness of the human effect of any policy upon all groups of people as those groups themselves see it. All these elements must enter into the creation of the mind of the Church when the members of Christ's body seek to relate its fundamental faith and ethic to the concrete and complex economic issues in the contemporary world.

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A POLICY STATEMENT *of the National Council of the Churches of Christ in the United States of America*

ON GUARANTEED INCOME

Adopted by the General Board
February 22, 1968

PREAMBLE

The purpose of this policy statement is to affirm the support of the National Council of Churches for the principle of a guaranteed income. Although we are not committed to any particular program or method for achieving this goal, we are strongly convinced that this country can and should assure to all its people incomes adequate to maintain health and human decency.

We have come to this position by somewhat different routes. In the statement which follows we declare our major conclusions; we indicate some of the practical and theological reasons which underlie our position; and we affirm our commitment to work with the communions and others both for implementation of the policy and for further clarification of the reasoning behind it.

The National Council of Churches welcomes the growing interest of governmental and private agencies in proposals for a guaranteed income as a method for meeting human need. The President has appointed a commission of leading Americans to study and report to him on new proposals for guaranteeing income. The Department of Health, Education, and Welfare and the Office of Economic Opportunity have made studies of the guaranteed income. In February, 1967, the President's Commission on Law Enforcement and the Administration of Justice recommended the intensification of efforts for devising methods of providing minimum family income. The Chamber of Commerce of the United States sponsored a National Symposium on Guaranteed Income where various approaches were examined. The report of the National Commission on Technology, Automation, and Economic Progress recommended to the Congress that it investigate new approaches to the problem of income maintenance. The Ripon Society has supported the concept of a "standard" family income. The Advisory Council on Public Welfare issued a report in June, 1966, advising the establishment of need as a single criterion of eligibility for receiving transfer payments, and supported a national minimum standard for public assistance payments.

RELIGIOUS AND ETHICAL ASSUMPTIONS

In a policy statement entitled Christian Principles and Assumptions of Economic Life adopted by the General Board of the National Council of the Churches of Christ in the U.S.A. in 1954, certain fundamental religious and ethical assumptions concerning economic life were set forth:

"All the resources of the earth... are gifts of God, and every form of ownership or use of such property should be kept under such scrutiny that it may not distort the purpose of God's creation. God is the only absolute owner. Every Christian particularly should look upon all of his possessions, as well as his talents, as a trustee, and should use them in the light of his understanding of God's purpose for him.... That the material needs of men be met through their economic institutions and activities is one condition of their spiritual growth.... Christians should work for a situation wherein all have access at least to a minimum standard of living.... Great contrasts between rich and poor in our society tend to destroy fellowship, to undermine equality of opportunity, and to undercut the political institutions of a responsible society."

CONCERN FOR HUMAN NEED

In an era of national abundance, the unmet economic and social needs of persons and families become increasingly matters of concern to the churches. This concern has been stated by the National Council of Churches on numerous occasions and in relationship to varying social problems:

[1958] The National Council of Churches "wishes to call to the attention of the churches the needs, spiritual and social, as well as economic, of the large numbers of people who must depend on public assistance." 1/ [1960] "Adequate support of public services by church members

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1/ "The Churches' Concern for Public Assistance." A Policy Statement of the General Board, June 4, 1958.

is necessary to insure basic services of sufficient quality and quantity to meet the needs of the whole community." 2/ [1960] "Be it resolved that the churches be urged to work for availability of adequate public assistance for all needy people..." 3/ [1966] "Although a steady and adequate flow of income to the poor is essential to the elimination of their poverty, the Church must work for the restoration of selfhood and dignity and meaning to the lives of those whose economic poverty has damaged or destroyed these essential elements of an abundant life." 4/ [1966] "A society, in which abundance replaces scarcity and social structures are increasingly complex, demands reappraisal of traditional forms and relationships." 5/ [1966] "Our burgeoning productivity makes possible, and our Judeo-Christian ethic of justice makes mandatory, the development of economic policies and structures under which all people, regardless of employment status, are assured an adequate livelihood." 6/

NEEDS, RIGHTS, AND OBLIGATIONS

As noted above, the General Board has previously recognized that economic institutions exist to meet the needs of persons in community. The fact that these needs can be met only in the relationship of community establishes a claim upon the individual to contribute to the well-being of his neighbor as well as of himself. It also establishes a claim upon society to furnish those conditions which enable the individual to fulfill his needs and to discharge his obligations. Basic human needs provide clues to the specific character of these responsibilities and rights. A "human right" is a claim to a condition or facility which a person needs in order to contribute to the social good and to live at his best as a person. 7/

Such rights are grounded in the spiritual and moral relationships into which man was created and in which he lives. Whenever social or economic organization excludes persons from effective participation in the economy, they are entitled to assert their claim to the social and physical conditions necessary for the achievement of human dignity. As these claims are met and rights fulfilled, the opportunity and obligation of the individual for the responsible discharge of his duties to the community are correspondingly increased.

Millions of Americans live under economic conditions which deny to them the satisfaction of their basic needs. 8/ This situation is scandalous because it is unnecessary. 9/ It is immoral because it curtails the exercise of at least two basic human rights: 1) the right to live at a human standard of decency and 2) the right to participate in the control of the conditions of one's life.

To assure these rights, society must move toward full citizen participation by the powerless. It must provide more adequate services for all its members. It must make available sufficient income for those millions of family and individual consumer units which live below contemporary standards of health and human decency.

WAYS OF DEALING WITH POVERTY

Historically and currently, the major efforts to deal with the problem of poverty include: 1) policies to promote economic growth and increase employment opportunity; 2) measures to increase individual employability and productive capacity; and 3) income transfers such as various public welfare and social insurance programs.

There is need for the continuation, intensification, and improvement of all these efforts. For example, a greatly expanded program for providing meaningful jobs could bring many of the poor above the poverty line and greatly enrich our entire society. Such a program is urgent, both because productive activity enhances human dignity and because there are myriads of tasks that need to be done. 10/

2/ "The Churches' Concern for Health Services." A Policy Statement of the General Board, February 25, 1960.

3/ "The Churches' Concern for People Without the Necessities of Life." A Policy Statement of the General Assembly, December 8, 1960.

4/ "The Church and the Anti-Poverty Program." A Policy Statement of the General Board, December 3, 1966.

5/ "The Church and the Anti-Poverty Program." A Policy Statement of the General Board, December 3, 1966.

6/ "Christian Concern and Responsibility for Economic Life in a Rapidly Changing Technological Society." A Policy Statement of the General Board, February 24, 1966.

7/ A right is "a condition of living without which in any given historical stage of society, men cannot give the best of themselves as active members of the community because they are deprived of the means to fulfill themselves as human beings." Human Rights, edited by UNESCO (New York: Columbia University Press, 1949), p. 263.

8/ "The aggregate income available to 7.2 million families and 5 million individuals in 1963 was only 60 per cent as much as they needed, or about $11-1/2 billion less than their estimated minimum requirements." Molly Orshansky, "Consumption, Work, and Poverty" in Ben B. Seligman (ed.), Poverty as a Public Issue (New York: The Free Press, 1965), p. 54.

9/ See Oscar Ornati, Poverty Amid Affluence (New York: The Twentieth Century Fund, 1966). Chapter 21, "The Feasibility of Preventing Poverty," is a good discussion of the comparative costs of meeting basic needs.

10/ For specific suggestions, see "Christian Concern and Responsibility for Economic Life in a Rapidly Changing Technological Society." A Policy Statement of the General Board, February 24, 1966.

INADEQUACY OF PRESENT PROGRAMS

However, thus far our efforts have not eliminated poverty nor solved the problem of distributive justice. Many of the poor will not be helped by expanded employment. Many heads of households under the poverty line 11/ are already employed full time. Innovation has replaced the need for the skills of some. Others are too old, too young, or too ill to work. Still others have the responsibility of caring for children and should not be forced to choose between work and want.

These groups require an input of social services and transfer payments in order to meet their basic needs. The National Council of Churches has called for improved levels of payment in both public welfare and social security systems.

As presently designed and administered, however, the public assistance programs fail to provide the answer and frequently violate the human dignity of the poor. 12/ Many of those in need are not covered by any of these programs. In most states, payments even for those covered are inadequate, often grossly so. Recipients commonly lose most or all of any supplementary income they may earn. They are subjected to humiliating tests, which in some cases place a premium on family disruption. The National Council of Churches has supported basic reforms in the public welfare program.

NEED FOR AN IMPROVED SYSTEM OF INCOME ASSURANCE

We, therefore, believe that a more satisfactory system of guaranteeing income is both necessary and morally right. Widely discussed proposals for effecting this policy include the negative income tax, demogrants, 13/ family allowances, and improved welfare programs based on need as the single eligibility criterion with adequate standards of assistance.

THE PROBLEM OF INCENTIVE

The charge is often made that a policy of guaranteeing family income would destroy the incentive to work. As noted above, for many of the poor, employment is not a solution. Nevertheless we recognize that motivation must carefully be taken into account by any plan for assurance of income. Many proposed assurance plans are designed to encourage the earning of additional income, rather than discourage it as some present programs do. Furthermore, motivational research is revealing various sources for incentives besides the economic, such as prestige, power, and social usefulness. 14/ Indeed, access to income may strengthen motivation and liberate creativity.

POLICY RECOMMENDATIONS REGARDING GUARANTEED INCOME

In the light of the above consideration, the National Council of Churches endorses the concept and desirability of a guaranteed income. Such a program should meet the following criteria:

1) It should be available as a matter of right, with need as the sole criterion of eligibility.

2) It should be adequate to maintain health and human decency.

3) It should be administered so as to adjust benefits to changes in cost of living.

4) It should be developed in a manner which will respect the freedom of persons to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs.

5) It should be designed to afford incentive to productive activity.

6) It should be designed in such a way that existing socially desirable programs and values are conserved and enhanced.

We recognize that the guaranteed income is not a substitute for programs of full employment and human resource development. It is not a panacea for all the socio-economic problems encountered by the family and the individual in the course of a life cycle. At the same time, we are compelled to acknowledge that our socio-economic system works imperfectly. It is, therefore, the responsibility of society to devise new institutions which more adequately fulfill basic human rights.

11/ See Oscar Ornati, Poverty Amid Affluence (New York: The Twentieth Century Fund, 1966), pp. 7-18 for an excellent discussion of standards of sufficiency for family income.

12/ Gilbert Y. Steiner, Social Insecurity (Chicago: Rand McNally and Co., 1966). See Chapter 5, "The Politics of Eligibility," for a discussion of some of the present dissatisfactions with some forms of public assistance.

13/ A demogrant is a categorical form of a universal payment. For example a family allowance to all families with children between the age of birth and fourteen years would be a demogrant. Social security payments constitute a type of a demogrant.

14/ See A. H. Maslow, Toward a Psychology of Being (Princeton: Van Nostrand Co., 1962). Also, Erich Fromm, "The Psychological Aspects of the Guaranteed Income," in Robert Theobald (ed.), The Guaranteed Income (New York: Doubleday and Co., Inc., 1965). An excellent popular treatment is by Mr. Scott Myers, "Who Are Your Motivated Workers?", Harvard Business Review, 42 (Jan.-Feb., 1963), pp. 73-88.

We recommend that the churches 1) study the various methods for guaranteeing every individual and family in need an income capable of supporting human life in dignity and decency; and 2) participate in the development and implementation of those policies and programs which best fulfill the above criteria.

The National Council of Churches commits itself to share in the continuing study, dialogue, and development of programs consistent with these principles. 15/

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15/ See Shirley E. Greene, The Guaranteed Income: A Dialogue-Focuser, available from the Committee on the Church and Economic Life, National Council of Churches, 475 Riverside Drive, New York, New York 10027.

Chairman FORD. Mrs. Flower.

STATEMENT OF RUTH FLOWER, LEGISLATIVE SECRETARY, FRIENDS COMMITTEE ON NATIONAL LEGISLATION, AND MEMBER OF INTERRELIGIOUS TASK FORCE ON U.S. FOOD POLICY

Ms. FLOWER. I am Ruth Flower, chair of the domestic human needs work group of the Interreligious Task Force on U.S. Food Policy, which will shortly be known as Interfaith Action for Economic Justice, and legislative secretary for the Friends Committee on National Legislation.

The task force is a coalition of national religious agencies working together for just and effective U.S. food and agriculture, health and human services, development and economic policies. While the task force speaks only for itself, its positions are generally consistent with the public positions of the major U.S. religious bodies which cooperate in its work.

We welcome the opportunity to appear before this subcommittee. We are able at this time to comment on just two of the issues before you: Representative Ford's H.R. 2354, which restores the earned income disregards, and the effects of mandatory retrospective budgeting and monthly reporting.

As we have come together fairly recently in our new structure, we do not yet have positions on the newer proposals before you from Mr. Campbell and Mr. Stark.

On income disregards, I would like to note some of the highlights of my written testimony.

One of the major things to do is to look at who is hit by the changes in the law. Almost all of them are young women recently single, divorced, or abandoned. They are eligible to stay on welfare for 100 percent of their support, but they are trying to get off. They are people in transition.

The average stay on welfare is about 18 months, in contrast to the 6 years that was pointed out by the administration's witness for some percentage of people on the program.

The choices they face at this point are minimum wage jobs or temporary jobs, whatever is available to low-skill workers—in most cases, these are low-skilled workers.

Their needs are to balance their life as a parent and their life as a worker. They need to do this with very little money. They need child care and reliable transportation. They need clothes that are appropriate to the work environment. If you have not been a working person, that is often a significant investment.

They need medical care for themselves and their children so that they can stay well enough to work and so that their children will

not need them at home to take care of them. In half the States, as this committee well knows, people go off of medicaid when they go off of AFDC.

Now, a minimum wage job or part-time work just does not provide for all of these needs. The work incentives that have been in AFDC program before and which your bill would restore provide not so much an incentive to work as they do make it possible to work.

For people to move into better paying, more permanent employment, they need training, experience, and sometimes intensive support at the beginning of a job. Work incentives are a direct investment in people who have already contributed and in kind match, if you will, by their initiative, effort, and determination. The Government's investment in this transition period pays off not only in financial terms, but in very important human terms.

We urge this subcommittee to reinstate the income disregards and to repeal the artificially low 150-percent cap on income eligibility.

On mandatory reporting and retrospective budgeting, these two requirements impose a new burden on programs that are already overburdened with paperwork and inflexible rules.

I would like to relate to you a story I heard just recently about how mandatory reporting and retrospective budgeting is working out in application.

In the District of Columbia, recipients have been required to fill out two-and-a-half page, fine print forms each month, reciting facts about who lives in the household—both recipients and nonrecipients—school attendance, any other worker income, child care expenses, self-employment information and the amount of the earned income tax credit. Balances to the checking account and any savings that might happen to exist and cash on hand must also be provided.

Frankly, I could not provide that myself and I don't know how many of us in this room would be able to come up with that information every month.

All information must be verified with pay stubs and receipts, et cetera.

Welfare advocates in the District of Columbia participated in a seminar in order to understand how to fill out these forms. They learned at that time that not all of the instructions are on the forms.

For example, the children must be listed in order of age or else the computer will not recognize the name. A couple of families that I know of—through the person that I talked to—were rejected by the computer because their children were listed in the wrong order.

On retrospective budgeting: the mandatory reporting is used as a basis for retrospective budgeting. All that does is to impose a fiction on some people that are trying to deal with a very harsh reality.

We urge this committee to repeal both retrospective budgeting and mandatory reporting.

We thank you for the opportunity to meet with you today. I would like to have my full statement in the record, if that is possible.

Chairman FORD. Your full statement will be made a part of the record.

[The prepared statement follows:]

STATEMENT OF RUTH FLOWER, CHAIR, DOMESTIC HUMAN NEEDS WORK GROUP, INTERRELIGIOUS TASKFORCE ON U.S. FOOD POLICY

I am Ruth Flower, chair of the Domestic Human Needs Work Group of the Interreligious Taskforce on U.S. Food Policy which will shortly be known as Interfaith Action for Economic Justice, and legislative secretary for the Friends Committee on National Legislation.

The Taskforce is a coalition of national religious agencies working together for just and effective U.S. food and agriculture, health and human services, development and economic policies. While the Taskforce speaks only for itself, its positions are generally consistent with the public positions of the major U.S. religious bodies which cooperate in its work.

We welcome the opportunity to appear before this subcommittee. We are able at this time to comment on just two of the issues before you: Representative Ford's H.R. 2354 which restores the earned income disregards, and the effects of mandatory retrospective budgeting and monthly reporting. As we have come together fairly recently in our new structure, we do not yet have positions on the newer proposals before you from Mr. Campbell and Mr. Stark.

Much of the religious community—including all of our constituent agencies—opposed the severe budget cuts in programs for low-income people which were part of the Omnibus Budget and Reconciliation Act of 1981. Churches and synagogues share a long tradition of working with and for the poor. Our advocacy for the poor arises out of our shared understanding of a religious mandate to "do justice and walk humbly with our God."

Some of the deepest cuts were made through structural changes in the Aid to Families with Dependent Children (AFDC) program. The most punitive changes were those related to work incentives, the "sliding scale" of benefits previously available to assist the working poor. By limiting AFDC eligibility to those families with gross incomes below 150 percent of a state-defined "standard of need" and ending "income disregards" after four months of employment, the government was able to terminate benefits for tens of thousands of families, while reducing them for thousands more. Though adequate data are not yet available from federal sources to document these losses fully, early estimates indicate that as many as 750,000 families have either lost their benefits completely or suffered significant reductions. The primary reason for terminations has been the reduced income cap on eligibility for the working poor.

The state standard of need varies from $252 per month in Mississippi to $634 per month in Alaska for a family of four and in all cases is substantially below the federal poverty line. On the low end of the spectrum, the 150 percent cap rule means that no family in Mississippi with earnings above $378 per month can qualify for any assistance through AFDC.

In addition to the loss of cash income, recipients in half of the states also lost medical coverage when their AFDC benefits were terminated, since eligibility for the two programs is linked in those states. The long-term effects of denying health care to poor women and children could be extremely costly in both human and financial terms.

In spite of the hardship these changes have caused for the working poor, it now appears that very little money will be saved by their implementation. In some cases, states and local governments have had to pick up costs formerly borne by the federal government. In order to meet these costs without dropping thousands of families from the program, some of these states have raised their state "standard of need" levels,[1] thus ultimately increasing the cost of that state's program to the federal government. Some other states have delayed implementing the mandated changes and have thus deferred federal government savings.

There are conflicting studies on the effect of these changes on the "motivation" of the poor to become independent of government assistance. Some say that working

[1] Center for the Study of Social Policy, University of Chicago, March 1983, study entitled "Effects of Federal AFDC Policy Changes: A Study of a Federal-State Partnership," p. 43, figure 2.

families who were able to eke out an existence with welfare assistance, find they are not able to survive on low-wage jobs alone and so revert to full support from welfare.[2] Others show that, in spite of the additional hardships they incur, working families struggle to keep their low-wage jobs rather than return to the welfare rolls. Perhaps an investigation that goes behind the total numbers would show that both factors are operating. When the bridge of "work incentives" was taken away, people on low-wage and non-permanent jobs, and people trying to become independent of welfare, were faced with a chasm to cross without assistance. Some chose to stay where they were; some chose to jump and hope for the best. This is a cruel and insensitive choice to ask anyone to make; the merits of the policy should not be judged in terms of the number who have accepted the risk and the number who have not.

The reality is that these days many families cannot be fed, sheltered, clothed and cared for on the income that their adult members are able to earn. The question is not one of motivation, but of survival.

If AFDC heads-of-households are to attain permanent economic independence, they must be the beneficiaries of job training and job-creation programs which will enable them to support their families, along with supportive services which will help them to stay employed. Instead of offering such support, the 1981 changes in the AFDC program inflicted a penalty on working recipients. In most cases these were young, unskilled single parents carrying a heavy burden of responsibility alone. It is truly commendable that these people, nearly all of whom are women, are struggling to find and keep adequate jobs in an unfairly discriminatory economy where even skilled men are unemployed. The role of the federal government should be to encourage and assist these people in their difficult transition.

We commend Representative Ford for the initiative he has taken on this issue. We support his bill H.R. 2354 which restores the "sliding scale" of benefits for the working poor, and removes the "income cap" imposed by the 1981 Budget Act. We urge the subcommittee to report the bill favorably.

Another change made in the AFDC program by the Omnibus Budget and Reconciliation Act of 1981 was the addition of the mandate that states require monthly reporting by recipients and that benefits be based on the recipient's financial status of the previous month (retrospective budgeting). We believe that this requirement should be repealed or, at the very least, should be made a state option. One provision in Mr. Stark's bill makes a helpful start in this direction.

In the states where the law was implemented in a timely fashion (by October 1, 1982), it has been an administrative nightmare, requiring a great increase in paperwork. The cost savings have been miminal or non-existent. In April of this year, the federal government notified ten states that they were in violation of the law for failing to implement this requirement fully and that they faced loss of funds. Over 30 states have requested that Congress remove the requirement.

The reporting requirement imposes a substantial burden on recipients. In many cases, families have been unfairly terminated from the program because of the reporting requirement. Research firms evaluating the experiences of states with monthly reporting programs have found that the forms are often complex and that otherwise eligible families are being denied substantial assistance because of blanks or uncorrected errors in their reports.

In the District of Columbia, recipients have been required to fill out a two and one-half page fine-print form each month reciting facts about who lives in the household (both recipients and non-recipients), school attendance, any work or other income, child care expenses, self-employment information, and amount of earned income tax credit. Balances of checking accounts, any savings and cash on hand must also be provided. All information must be verified with pay stubs, receipts, etc. Welfare advocates in the District participated in seminars in order to understand how to fill out the forms. They learned that not all of the necessary instructions were provided with the form. For example, children had to be listed in order of age, or the computer would not recognize the data.

The monthly reporting requirement creates a misleading impression in the context of the administration's campaign to reduce errors and abuse in welfare programs. The existence of the requirement suggests that each recipient is likely to cheat and that extensive review of every family's situation is necessary to protect the government from fraud. On the contrary, the additional administrative burden made necessary by the distribution, collection, verification and evaluation of month-

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[2] Richard P. Nathan, Urban and Regional Research Center, Princeton University, reported in the New York Times, May 8, 1983, "Study Tells How 14 States Countered U.S. Aid Cuts" by John Herbers.

ly data creates numerous occasions for further error—by caseworkers and recipients alike.

The monthly report forms are used as a basis for "retrospective budgeting." Each recipient reports on the family's financial situation as of the previous month. The following month's benefits are adjusted according to the report.

For example, a mother of two small children might get a temporary job for several days during January. After reporting this extra income at the end of January, her benefits would be reevaluated and reduced—probably in March, when she is not working and her income is down again. Similarly, if she is able to get herself into an employment training program and arrange transportation and child care during her training period, she will not be able to have her AFDC grant adjusted to pay for the training-related expenses until well after the need arises. The retrospective budgeting requirement imposes a fiction on the lives of recipients who are struggling to cope with a very harsh reality.

We urge this committee to repeal the mandatory monthly reporting and retrospective budgeting requirements.

Thank you for the opportunity to meet with you today. We appreciate the good work this committee has done and continues to do in shaping federal assistance to the poor.

Chairman FORD. Each member of the panel heard Ms. Ross, from the Department of Health and Human Services, testify that everything was now OK with all of the recipients who left the AFDC rolls—according to the work force—that they are better off now.

The Reagan administration has given the protection that would be needed for those who are recipients of public assistance, and I see that this panel has testified to the contrary of that.

Also, I heard one of the witnesses talk about, I guess it was Ms. Cooper, you also made mention of the fact—and there was a turnaround to the staff to talk to them about it, because last week we had some public sessions on the child enforcement legislation, and we too are concerned about how much of the child support under AFDC is being reimbursed, whether or not those percentages are looked into and people are placed on workfare.

It is an area that as chairman of the committee, that I had not really focused on. But in your testimony today, it is an area that we are going to look at and just determine where we are in that particular area.

I thank you very much for bringing that up. I thank each member of the panel for testifying today. Thank you very much.

Mr. CAMPBELL. Mr. Chairman, I would like to read the testimony. I apologize. I was called out to a phone call and I thought it would take 2 minutes. It wound up taking 15 or so. I apologize, but I too want to thank the panel and I have most of the testimony before me which I will be reading.

Chairman FORD. Thank you all very much.

The next panel is the Child Welfare League of America, Mr. James Bennett, executive director of the Porter-Leath Children's Center, Memphis, Tenn.

Welcome to the committee.

Also, Mrs. Sandra Crawford, chairman of the public policy committee, Association of Junior Leagues; and Ms. Brenda L. Russell, member of the Legislative Committee of the Coalition on Block Grants and Human Needs and Legislative Associate of the Child Welfare League of America; and the Children's Defense Fund, Mrs. MaryLee Allen, who is director of Child Welfare and Mental Health.

If we could, also to my far right, have on this panel that will include this, Mr. John Hansan, who is the executive director of the National Association of Social Workers.

Is he here?

Mr. HANSAN. Yes.

Chairman FORD. Would you take a seat at the end of the table over here to my left? And also Ms. Linda R. Wolf Jones, senior policy analyst, Community Policy Service Center in New York.

Mr. Bennett, I am very familiar with your very strong and vital institution in our city and we are very proud for you to appear before the committee to testify on behalf of legislation that is pending now before the committee.

Porter-Leath has been very vital to us in the city. Institutions similar to Porter-Leath throughout the country have been vital to children throughout the country.

We are very pleased to have you here and I am very pleased as a Congressman from your area.

STATEMENT OF JAMES BENNETT, EXECUTIVE DIRECTOR, PORTER-LEATH CHILDREN'S CENTER, MEMPHIS, TENN., ON BEHALF OF THE CHILD WELFARE LEAGUE OF AMERICA, INC.

Mr. BENNETT. Thank you for those comments.

Mr. Chairman, I am James Bennett, executive director of Porter-Leath Children's Center, a multiservice, nonprofit agency, providing foster care, day care, group homes and emergency shelter care to about 180 children.

On behalf of the Child Welfare League, I appreciate the opportunity to testify on H.R. 2354, H.R. 3512, and the Kennelly bill.

I will summarize a written statement and comment on the proposed AFDC provisions in the title XX increase, and ask that my full statement be included in the hearing record.

Chairman FORD. The full statement will be made part of the record.

Mr. BENNETT. Those of us who are on public and nonprofit children's agencies see too many families falling apart with children in truly deprived circumstances not to ask you to repeal some of the 1981 changes in the AFDC program. The Child Welfare League asks you to repeal the most restrictive of the 1981 amendments and we hope you will not adopt the additional restrictions proposed by the administration in the fiscal year 1984 budget for AFDC including the administration proposal to repeal the work incentive program. This is the only program which acknowledges the need for supportive services if AFDC mothers are to move into gainful employment.

The already overextended and underfunded title XX program cannot absorb these service functions. The Child Welfare League wishes to go on record as endorsing H.R. 2354, Chairman Ford's bill to amend the treatment of earnings under the AFDC program. The proportion of children who are poor has risen dramatically in the last 3 years from 16 percent to almost 20 percent. More than one-fourth of the children in the Nation now live in households with income below 125 percent of the poverty level, an income equivalent to about $9,000 for a family of three according to Alice Rivlin,

Director of the Congressional Budget Office in testimony before the House Select Committee on Children, Youth and Families on April 18 of this year.

We urge the subcommittee to adopt Chairman Ford's recommendations to address this problem immediately.

Chairman Ford's proposals to disregard the earned income of youth in school and training programs is a welcome proposal at this time of very high youth unemployment rates. Young people unable to achieve self-sufficiency through entry into the work force are surely among the most negative commentaries on our current economy.

We are also very supportive of Congresswoman Kennelly's provision to provide AFDC eligibility for first-time pregnant women. There are several sound reasons for this positive change. First, it automatically enables AFDC eligible pregnant women to receive critical prenatal care and second, it will enable a pregnant woman with special diet needs, housing considerations and employment limitations because of her pregnancy to survive. Providing for a pregnant woman's basic needs is essential to having healthy babies.

The Child Welfare League's Public Policy Committee has not yet taken a position on the bills recently introduced by Congressman Campbell and Congressman Stark. However in terms of policies adopted with respect to legislation proposed in the past, we are supportive of the majority of items in H.R. 3512, the AFDC Cost Control Management Improvement Act of 1983.

With respect to demonstration projection for integrated services in H.R. 2563 and common definitions and budgeting in H.R. 3512, we do have some concerns. The recent history of implementation of social program block grants and medicaid demonstration projects raises important issues related to the absence of safeguards in the areas of public participation, open planning and decisionmaking, standards of service, monitoring and evaluation and accountability.

Some of our member agencies report that indiscriminate use of waivers and medicaid demonstrations has led to serious problems of equity and service curtailment. While we are appreciative of Mr. Stark's and Mr. Campbell's very constructive proposals for improving the AFDC and other human serice programs, we would very much like to see more built-in safeguards for poor children who depend upon the benefits and we would welcome an opportunity to respond more fully when our Public Policy Committee has concluded its discussion of H.R. 2563 and H.R. 3512.

I would like to describe what is happening in Tennessee with the money provided to the social services block grant from the jobs bill, Public Law 98-8 and that money's relationship to permanency for children the goals of Public Law 96-272, the Adoption Assistance and Child Welfare Act of 1980.

I hope to show you that social service funds are desperately needed in Tennessee, that the new funds under the jobs bill will be spent within the guidelines of Public Law 98-8 for much needed services for children, and that there is a real need for an increase in the regular block grant to the State for social services.

Tennessee was allocated $5.3 million under the jobs bill for the social services block grant. Tennessee's regular title XX allocation is about $53 million for the last fiscal year meaning that the jobs

bill provides approximately 10-percent-additional funding to Tennessee.

Planning for expenditure of these funds was difficult given the short notice for development of the plan, and the time limitation on the expenditure of the funds. Nonetheless, the State has a plan which, in my opinion, meets the requirements of the law in being labor intensive in areas with high unemployment as well as meeting critical human needs.

Tennessee has distributed the jobs bill money to counties with high rates of unemployment, long-term unemployment—over 10.5 percent or unemployment over 13.7 percent in February 1983—in counties with over 5 percent of the total number of unemployed persons. All but 20 counties in the State receive some allocation.

Each region that received funds was instructed to develop a local plan for contracting for labor-intensive services in the following areas: Homemaker services; social service assistants; chore services; and companionship services. Additionally regions were allowed to increase the number of vendor day care slots or develop one of several pilot projects.

Shelby County, my county, region 9 of the State, $807,000 of additional money was allocated for this period. These funds will be used for three programs: Homemaker service; social service assistants; and a sexual abuse team. These programs were selected for Shelby County based on the need in that area. For example, over 400 clients are on the waiting list at Senior Citizens Service for Homemaker Service at the present time. In protective services there has been a disturbing increase in the number of sexually abused children reported. For instance, in 1981 in Shelby County there were 1,531 child abuse cases of which only 206 were sexual abuse. For the first 6 months of this year there have been a total of 933 total child abuse cases but 260 of these are sexual abuse. At that rate 1983 will more than double, in fact nearly triple the number of sexual abuse cases over 1981.

Public Law 96-272 set up a process of reform to provide permanency for children. In the rural counties of Tennessee, however, there have been some unique problems in developing permanency programs. Some of the humanitarian assistance provided in the jobs bill will be spent in the development of permanency planning units modeled on the team approach developed in Shelby County. This is not enough, however.

An increase in title XX social services and a commitment to funding and implementation of Public Law 96-272 are needed to realize the full potential of the permanency planning goals. If there is no increase in regular title XX in the next fiscal year, Tennessee will be in a very difficult situation. The regular allocation to $52,700,000 is being spent. Without additional funding there is no doubt that some resources for children will be lost.

At this time I cannot tell you where those cuts will have to be made. However, I think I can explain some of the problems that are faced by the State. For example, title XX funds are used by the State to implement Public Law 96-272 through residential treatment programs or specialized foster care or group home programs available through private agencies such as my own. Typically the child we are serving is in need of psychiatric care. The child in

need of programs for emotionally or behaviorally disturbed, a child with delinquent or semi-delinquent behavior. The agencies are struggling to keep costs down but are in a difficult position that they may have to close if the State is not able to pay for the cost of care. Kids will end up on the streets or in less appropriate settings where they will not be able to be cared for.

My own agency is an example of this. Our caseload is predominantly adolescent. Typically children who have had multiple placements prior to placement with us. Our total income from the State is $190,000 and our total expendit is $333,000. The deficit is made up principally from United Way and our own fundraising efforts. While these children are the responsibility of the State, the State pays only a little more than half the cost of care for these children depending upon volunteer resources to pick up the rest. It is increasingly difficult for United Way or volunteer resources to continue to pick up these deficits and thus we are asking the State to do better. They, in turn, are asking title XX for an increase in their allocation in order to keep these kids in appropriate placements.

AFDC, title XX in its interrelationship to Public Law 96-272 are critical to the support of children and families. We appreciate very much the past support of this subcommittee and we urge continued support to the provision of H.R. 2354, H.R. 3512 and the Kennelly bill.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF THE CHILD WELFARE LEAGUE OF AMERICA, INC., PRESENTED BY JAMES BENNETT, EXECUTIVE DIRECTOR, PORTER-LEATH CHILDREN'S CENTER, MEMPHIS, TENN.

SUMMARY

The Child Welfare League of America believes that support for this nation's children and families is essential, and to this end, AFDC, Title XX, and P.L. 96-272 are critical to this support. Cuts in AFDC, Title XX, and P.L. 96-272 have worked to the detriment of children and families. We are grateful for the work of the Public Assistance Subcommittee in these important areas, and believe that the bills under consideration today will begin to remedy some of the suffering which resulted from recent budget cuts and policy changes.

Specifically, we support: H.R. 2354; the bill proposed by Congresswoman Kennelly; certain provisions of H.R. 3512, including:

Making AFDC monthly reporting and retrospective budgeting (MMRB) a State option and allow Federal matching for supplements under State MMRB systems when the system cannot respond promptly to immediate needs.

Disregarding the earned income tax credit (EITC) from countable AFDC income.

When calculating AFDC eligibility and benefits, disregarding day care costs last, up to the current limit of $160 per child per month.

Allowing any full time high school (or equivalent) student to continue to receive AFDC through age 20.

Eliminating the requirement that pregnant women be required to register for any type of work or training program in their third trimester of pregnancy.

For families that receive lump sum income making them ineligible for AFDC, revising the treatment of this income to permit States to recalculate the ineligibility period when circumstances change in ways that increase financial need.

Allowing States to reimburse the AFDC recipient directly for transportation and day care expenses that are directly related to CWEP participation.

Giving States discretion in choosing when to make a protective payment, requiring this only in cases of money mismanagement or when the State determines it is in the child's best interest to do so.

The Child Welfare League of America was the first, and continues to be, the only national, not-for-profit, voluntary membership organization which sets standards for

child welfare services in the United States and Canada. Our agencies provide a full range of services to children, youth and families. The League is a privately supported organization comprised of 350 child welfare agencies whose efforts are directed at the improvement of care and services for children and their families. League member agencies include religious groups as well as non-sectarian public and private nonprofit agencies. The League also represents 1,100 affiliated child care agencies through our 24 State Child Care Associations. Members and affiliated agencies of the League serve several million children in the U.S. and Canada and represent over 6,000 volunteer board members and several thousand more direct service volunteers.

We thank the Subcommittee for having these hearings to examine some of the positive ways in which the Congress may address human needs and for its commitment to programs for the Nation's most vulnerable children and families. We are particularly supportive of H.R. 2354 and in our testimony will address the need for this legislation.

On behalf of the children of this nation, the Child Welfare League wishes to express deep appreciation to the members of this Subcommittee for their continuing attention, concern, and leadership in addressing the responsibility of government to assist poor children and their families. We are particularly grateful to Chairman Ford for again this year introducing legislation to strengthen programs which we are convinced are primary preventive measures to preserve the American family and ensure that fewer and fewer children enter the child welfare system.

Aid to families with dependent children

The purpose of AFDC is to keep children in their own homes by giving first aid to those deprived of parental financial support due to the absence, disability, death, or, in some instances, the unemployment of their parents. AFDC has become a dirty word, conjuring up visions of enormous outlays of taxpayers' money to a bunch of adult deadbeats who are unwilling to work for their daily bread.

In reality, AFDC is one of the very smallest Federal programs. More importantly, it is a program for destitute children. Almost 70 percent of all AFDC recipients are children. Adults receive AFDC benefits only as caretakers of children. Also contrary to popular beliefs, the benefits are not enormous. I invite members of the Subcommittee to look at the attached list of maximum AFDC benefits for a family of four in each of your States and try to imagine what it would be like to feed, clothe, and shelter a family of four on such a budget in your home town. I suspect that you will conclude, as I do, that this would be no "free ride." It is a bare essentials program, offering little inducement to remaining on wefare for any longer than absolutely necessary.

For 3.5 million families, it was adjudged absolutely necessary for some period of time last year. Approximately 81 percent of these were female-headed families in which more than 36 percent of the children were under age 6 and another 49 percent were between 6 and 14 years old. These children remained in their own homes with their mothers or close relatives at a fraction of the emotional and financial cost of the journey through out-of-home care to possible eventual permanent placement with another family.

In 1981, at the Administration's recommendation, Congress enacted a long list of amendments to the AFDC law, all directed to substantial reductions in AFDC eligibility and benefits and projected savings in Federal and State expenditures. In April of this year, the Department of Health and Human Services released the results of a study, "Evaluation of the 1981 AFDC Amendments," prepared by the Research Triangle Institute under contract to the Department. The Department says the report proves that the 1981 amendments were successful in reforming the AFDC program, particularly with respect to those working poor recipients who lost benefits as a result of the amendments but did not subsequently return to the program.

These findings are so totally at odds with what the Child Welfare League is hearing from its members around the country that we would like to make a few comments on the Research Triangle report as well as share a few of the observations of both public and private nonprofit Child Welfare League member agencies. As you may recall, the explanation for the failure to achieve the Administration's projected $1 billion in savings in fiscal year 1982 was that States were slow to implement the mandated changes. This is understandable, since the changes were many and complex; the lead time was only one month; and State laws and regulations had to be amended to accommodate the changes, not to mention the time required to reprogram State and local procedures and retrain personnel. The fact remains that the Research Triangle study compared data on fiscal year 1981 AFDC recipients with case records of fiscal year 1982 recipients, and there is considerable room for doubt

that the OBRA changes were sufficiently operative in fiscal year 1982 to give a significant reading on the effects of the changes.

I would point to the fact that there are at least 33 studies in progress by leading universities and research organizations that address the issue of the impact of the Federal policy changes on AFDC recipients (see "The Impact of Federal Budget Cuts on AFDC Recipients, A Compendium of Studies," the Center for the Study of Social Policy, 236 Massachusetts Avenue N.E., Washington, D.C. 20002, for descriptions of these studies), and the present consensus is that the data is not yet available. I wish it were. The chief researcher for the Research Triangle study says that "we can make pretty confident statements about those dropped from the rolls and those who have returned but we cannot say how people have coped." (National Journal, May 7, 1983, p. 976). It seems to me that when we are talking about destitute children it is pretty important to know how their families have coped.

This is particularly important because we don't seem to know what happened to the more destitute of those working families removed from the rolls. The Research Triangle report says the families removed from the rolls who did not return to the AFDC program were predominantly the higher earners with more education. One stated goal of the 1981 amendments was to target benefits more directly to those most in need. Surely the lower earners and the less educated are more in need. Additionally, I would like to point out that there has been no increase in benefits to either non-earners or to low wage earners remaining on the rolls. Len Schneiderman, consultant to the Joint Economic Committee, has analyzed the Research Triangle report and finds that, for fiscal year 1982, there is evidence of a decline in average benefits to non-earners; an increase in the probability of case closings for non-earners; and reductions in re-openings of closed cases which suggests a pattern of reduced use of or access to benefits for non-earners, presumably the most needy.

If the most needy AFDC children and their families did not benefit from the 1981 changes in the program, and we do not know what actually happened to those families cut off from aid, the next question is whether the cutbacks resulted in savings to the Federal and State governments. Here again there is no evidence to support claims that restricting eligibility and benefits, especially for the working poor, has been successful.

A June 3, 1983 Congressional Budget Office memorandum on "The Budgetary Effects of Work Requirements in AFDC" concludes that:

"Based on the existing evidence the potential budgetary effects of mandating job search and CWEP vary over a wide range. Most importantly, these proposals could have net costs as well as net savings. Estimates range from net costs of $365 million to net savings of $160 million for CWEP (including Medicaid and Food Stamp savings) . . . It seems fair to conclude that we don't yet know the budgetary effects of job search and CWEP with any precision or with any degree of confidence. Some demonstrations and experiments on work requirements in AFDC are currently underway. But until their results become available over the next few years, the issue of budgetary effects cannot be satisfactrorily resolved."

Likewise, there is no evidence to support claims that work requirements and benefit and eligibility reductions initiated in 1981 have indeed reduced welfare dependency by moving recipients into permanent employment.

A January 24, 1983 report from the U.S. General Accounting Office, "Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Projects" (Report No. GAO/IPE-83-3), concludes that "HHS's evaluation program has not provided information on whether workfare was successful in moving recipients to unsubsidized jobs, reducing welfare costs, or meeting other program goals. As a result, future policy discussions on workfare will not be adequately informed." GAO finds that there is no legislative requirement that HHS evaluate or report to the Congress on CWEP demonstrations and that a projected evaluation of the 1982 CWEP demonstrations was not funded, nor were States required to undertake their own evaluations. Recently approved CWEP demonstrations for fiscal year 1983 may furnish some information in the future as to the extent to which participation in a CWEP leads to recipients' obtaining jobs and the cost effectiveness of CWEP.

And now we would like to share with you reports from Child Welfare League member agencies. These are mostly front line experiences and impressions, but we think it is important for you to hear them.

"We've had a rash of young mothers wanting us to take their children." (Ohio)

"Families are coming to town looking for work and living in their cars. When they don't find work, they bring their kids to our agency and ask us to keep the kids in temporary foster care because they have no money to feed them and they don't qualify for AFDC help." (Oklahoma)

"The AFDC caseload decreased for about six months and began increasing thereafter." (Georgia)

"We closed 6,208 AFDC cases and were able to follow 6,012 of these for the next ten months. For each month following implementation of the four months limit on earning disregards, the cost benefit of working was negative. Over 50 percent were back on the rolls within three and a half months." (Wisconsin)

"The guardian ad litem for two children who were former AFDC recipients became appropriately concerned that the children were not receiving prescribed medical care, so he took the case to court. Without AFDC eligibility for Medicaid for the children, the mother was only sporadically able to pay for the medical care although she was trying. The court hearing tipped the balance for her. She gave up, and now the children are in public care." (Ohio)

"An AFDC-UP family with a father who was laid off were living in a condemned house because they had no money for rent. The city insisted they leave. They lost AFDC-UP benefits. The had no home for the children. We could have salvaged that family with just a little bit of assistance, but there were no funds." (Ohio)

In the state of Tennessee, the AFDC rolls went down immediately after the 1981 Federal cuts, but they have gradually grown back up since then, and the welfare department tells me we are about back to the 1981 levels and that those returning to the rolls are former recipients and not new clients. We had hoped to raise of State Standard of Need ($217 per month for a family of four). A study commissioned by the State indicated that the Standard of Need should be raised, despite which no action was taken. Tennessee tax limitation and balanced budget mandates do not permit the raising of additional revenues, and the State simply does not have the funds to compensate for the Federal cuts. The only action we were able to take was to increase the maximum benefit from 68 percent of the Standard of Need to 69 percent of the Standard of Need—thus raising the $217 per month benefit for a family of four to $220 per month.

Those of us who are in public and private nonprofit children's services agencies are seeing too many families falling apart and too many children in truly deprived circumstances not to ask you to repeal some of the 1981 changes in the AFDC program. The Child Welfare League asks you to give serious thought to repealing the most restrictive of the 1981 amendments. And we certainly hope you will not adopt the additional restrictions proposed by the Administration in the fiscal year 1984 budget for AFDC, including the Administration proposal to repeal the Work Incentive (WIN) program which is the only work program which acknowledges the need for supportive services if AFDC mothers are to move into gainful employment. The already overextended and underfunded Title XX program cannot absorb these service functions.

The Child Welfare League wishes to go on record as endorsing H.R. 2354, Chairman Ford's bill to amend the treatment of earnings under the AFDC program. The proportion of children who are poor has risen dramatically in the last three years—from 16 percent to almost 20 percent. More than one-fourth of the children in this nation now live in households with incomes below 125 percent of the poverty level—an income equivalent to about $9,000 for a family of three (Alice Rivlin, Director of the Congressional Budget Office, in testimony before the House Select Committee on Children, Youth and Families, April 28, 1983). We urge the Subcommittee to adopt Chairman Ford's recommendations to address this problem immediately. The well-being of our children is not a partisan issue. Aid to Families with Dependent Children was created almost 50 years ago to ensure basic maintenance for destitute children within their own families, and thus human commitment is clearly in need of re-enforcement now.

Whether or not the 1981 AFDC restrictions eventually prove to be work incentives or disincentives, the fact that increasing numbers of children are in poverty and at risk is an overriding concern, since more than two-thirds of AFDC recipients are children. In our judgment it is morally indefensible to continue the current practice of withdrawing maintenance support from thousands of destitute children without clear evidence that their caretaker parents can secure adequate employment.

Chairman Ford's proposals to disregard the earned income of youth in school and training programs is a welcome proposal at this time of very high youth unemployment rates. Young people unable to achieve self-sufficiency through entry into the work force are surely among the most negative commentaries on our current economy. A March 29, 1982 General Accounting Office report on "Labor Market Problems of Teenagers" (PAD-82-06) concluded that, "Among out-of-school teenagers living in welfare households the work disincentives in the AFDC program may be reducing labor force participation." GAO suggested that "a possible remedy for this

problem would be changing the rules of the AFDC program to ignore all earnings of dependent children regardless of school status when determining the familiy's entitlement." We are glad to see that Chairman Ford has incorporated these recommendations in H.R. 2354.

We are very supportive of Congresswoman Kennelly's provision to provide AFDC eligibility for first time pregnant women. There are several sound reasons for this positive change: first, it automatically enables AFDC eligible pregnant women to receive critical prenatal care; and second, it will enable a pregnant woman with special diet needs, housing considerations, and employment limitations because of here pregnancy to survive. Providing for a pregnant woman's basic needs is essential to have healthy babies.

The Child Welfare League's Public Policy Committee has not yet taken a postion on the bills recently introduced by Congressman Campbell and Congressman Stark. However, in terms of policies adopted with respect to legislation proposed in the past, we are supportive of the following items in H.R. 3512, the AFDC Cost Control Management Improvement Act of 1983:

Make AFDC monthly reporting and retrospective budgeting (MMRB) a State option and allow Federal matching for supplements under State MMRB systems when the system cannot respond promptly to immediate needs.

Disregard the earned income tax credit (EITC) from countable AFDC income.

When calculating AFDC eligibility and benefits, disregard day care costs last, up to the current limit of $160 per child per month.

Allow any full time high school (or equivalent) student to continue to receive AFDC through age 20.

Eliminate the requirement that pregnant women be required to register for any type of work or training program in their third trimester of pregnancy.

For families that receive lump sum income making them ineligible for AFDC, revise the treatment of this income to permit States to recalculate the ineligibility period when circumstances change in ways that increase financial need.

Allows States to reimburse the AFDC recipient directly for transportation and day care expenses that are directly related to CWEP participation.

Give States discretion in choosing when to make a protective payment, requiring this only in cases of money mismanagment or when the State determines it is in the child's best interest to do so.

With respect to demonstration projects for integrated services in H.R. 2563 and common definitions and budgeting in H.R. 3512, we do have some concerns. The recent history of implementation of social program block grants and Medicaid demonstration projects raises important issues related to the absence of safeguards in the areas of: public participation, open planning and decision making, standards of service, monitoring and evaluation, and accountability. Some of the member agencies report that indiscriminate use of waivers in Medicaid demonstrations has led to serious problems of equity and service curtailment.

While we are appreciative of Mr. Stark's and Mr. Campbell's very constructive proposals for improving the AFDC and other human service programs, we would very much like to see more built-in safeguards for poor children who depend on the benefits. And we would welcome an opportunity to respond more fully when our Public Policy Committee has concluded its discussion of H.R. 2563 and H.R. 3512.

Title XX Social Services Block Grant Program

As an organization dedicated to quality services for children and their families, especially those who are vulnerable and at risk, we have also worked for and supported the Title XX program. In fact, with the passage of Title XX, the League started the Hecht Institute for State Child Welfare Planning, dedicated to assisting States, both public and private agencies, to plan for and utilize the new social services block grant. Since that time, we have continued to assist and monitor the Title XX program. Our most recent review of the program consisted of a survey completed in 1982, of the impact of 1981 budget cuts. Our survey included both public and private agencies, and selected examples of the reports show dramatic reduction in services as a result of the Title XX cuts:

Baltimore City Department of Social Services anticipated a loss of 222 slots for day care for fiscal year 1982 with the reduction in Title XX.

In Alabama, day care—one of the services which received the highest proportion of Title XX funds—was reduced in 1982-83 by $2 to $3 million, eliminating day care for over 2,000 children.

The Los Angeles County Department of Social Services reported a loss of over $9 million in foster family care which affected over 25,000 clients; a $7 million loss in family counseling; a $885,101 loss in protective services and emergency shelter, af-

fecting 136,910 people; and a $3 million loss in homemaker services to the disabled; 383 staff positions were also cut.

The Missouri Department of Social Services reported a loss of $16,953,827 from a combination of Title XX training, Title XX, AFDC-Foster Care, and Title IV-B Child Welfare Services.

In Tennessee, total dollars for contract services in Memphis were reduced by about $2 million; 782 individuals no longer received services, most of them children.

This year Congressional support for increasing human service discretionary programs, as demonstrated in the enactment of the emergency jobs bill, the passage of the budget for fiscal year 1984, and the introduction of H.R. 2354, can help eliminate the tension that many American families are feeling as a result of previous cutbacks.

The cuts have come at a time of high unemployment and increased need for support services. The Child Welfare League's Washington staff recently talked with the Secretary and Assistant Secretary of the Department of Human Services in Louisiana about the impact of Title XX cuts. These people talked of the tremendous human service need at the local level, and particularly the lack of services in areas of high minority concentration. Poverty in these areas impedes an adequate revenue base to assist in the support of needed services. One service, day care, was dramatically affected by Title XX reductions. Day care providers had not had an increase in three years; there was a waiting list for spaces; providers were on the verge of going out of business. With the infusion of an additional $4.6 million in Title XX dollars through the Emergency Jobs bill, Louisiana was able to revive necessary social service programs, particularly day care. Department planners went to work right away and allocated the additional revenues in their July 1 budget. Day care providers were given the necessary increase to keep them in business; day care staff and rates were improved, thereby averting a reduction in day care services. Without day care, parents cannot work, and in fact Louisiana has seen a sharp upward trend in the AFDC program this year. The State Department has felt tremendous organizational pain from recent policies; in the words of the Assistant Secretary, "We've been clobbered." The recent additional Title XX monies from the jobs bill provided some relief.

For fiscal year 1984 the Administration has revised its request for the Title XX Social Services Block Grant downward from $2.5 billion to $2.44 billion, a $60 million reduction. The explanation for the reduction is that States have not been able to spend the additional Title XX money appropriated in the Emergency Jobs bill. State procedures for spending federal money required planning and coordination. Certain States require approval by the legislature in the expenditure of Federal funds. This money also had specific limitations on the kinds of programs that could be funded; this required additional planning time for States. To penalize States for this process not only overlooks the parameters within which States operate but also confuses the particular focus of this money in the context of general Title XX Social Services Block Grant funds.

For example, Tennessee had received $5.2 million and spent the last four months targeting counties with high unemployment rates for the creation of labor-intensive jobs. The planning is not completed, and all the money will be contracted for by September 30, 1983—the time frame of the legislation. Some of the money will be directed at children: homemaker services in the Protective Service unit, Social Services, and a pilot laboratory child abuse project. This money does not replace Title XX funding. In fact, if Title XX Social Services funding is not increased next year, inflation will force further cuts in the social services programs.

Another reason for our staunch support for Title XX, and for the provisions of H.R. 2354, is the special relationship between Title XX and public law 96-272, the Adoption Assistance and Child Welfare Act. The implementation of Public Law 96-272 depends on adequate funding of child and family support programs—in short, title XX, Title IV-E, and Title IV-B. For the last two years, and with the leadership of the House Ways and Means Committee, Congress has rejected proposals to include Public Law 96-272 in a block grant while dramatically reducing the funding. However, Title IV-B Child Welfare Services funding has never reached the levels envisoned when Public Law 96-272 was passed. At the same time, the major federal funding source for the full range of social services, the Title XX Social Service Block Grant—the basic "service floor" for children, youth and families—was drastically cut by almost $700 million in 1981. In addition, the Omnibus Budget Reconciliation Act (OBRA) of 1981 eliminated the future annual incremental increases in the Title XX program and folded in the separate $75 million Title XX training program, and the $16.1 million services program to the Territories. The current fiscal year 1984 ceiling, as you will know, is $2.5 billion for Title XX, however, Public Law 96-272

anticipated Title XX funding to be at $3.3 billion by fiscal year 1984 (factoring in the since-repealed Title XX training program and the separate service program to the Territories) when it was enacted in 1980. The Title XX cuts have pulled the rug out from under the child welfare reform act. As States struggled to cope with their current level of need for services and State budget cuts, they lacked the additional resources to implement the new reforms. We know that Public Law 96-272 cannot be implemented without adequate funding of both Title XX and Title IV-B. However, we believe that H.R. 2354 provides an excellent step forward toward implementation, by providing partial restoration of funding levels of $2.8 billion in fiscal year 1984, $2.9 billion for fiscal year 1985, and $3 billion for fiscal year 1986.

Although none of the bills before this Subcommittee today address the lack of public participation and planning process of Title XX, we feel we would be remiss if we did not state that the OBRA changes of 1981 which wiped out the cooperative planning process, coupled with a retreat from previous reporting requirements, have left advocates, service providers, and service recipients without a participatory role in the decision making, and without the necessary data to assess the program and plan for the future. We would urge the Subcommittee to consider this problem in the future, as sound policy decisions require a sound understanding of the actual program utilization and the types of services which are being paid for with Federal dollars. Our experience with Public Law 96-272 convinces us that Title XX is one of the strongest prevention initiatives of our Federal government.

We strongly support the continuation of Federal payments for dependent children voluntarily placed in foster care. The League supported this provision in the original legislation because our study of the limitation to only court placements led us to the conclusion that the court procedure, in certain cases, can damage child-parent relationships due to the adversarial nature of the process. We also noted that in some cases it is both unnecessary and costly. We know of families which have resorted to voluntary placement as a result of sickness, or other family crises unrelated to improper parenting. Voluntary placement is good child welfare practice in these cases and avoids the possible stigmatizing of the parent as abusive or neglectful. The protective features of the placement agreement and the judicial determination which follows serve to protect the child from unnecessary out of home care. We further content that the provisions of the law which encourage permanency also protect the child.

The League believes that the emphasis which Public Law 96-272 placed on permanency for children is serving to revitalize child welfare services in this country, and to put those services in a family context. According to the last available data on the use of Title XX funds, which is for for Fiscal Year 1979, we know that the programs most often funded with Title XX benefit children and their families: Day Care (21 percent), Homemaker Services (11.2 percent), Protective Services (10 percent), Counseling (7 percent), Foster Care (5.6 percent), Education and Training (5.1 percent), Chore Services (5.0 percent), and Residential Care and Treatment (4.8 percent). We also point out that protective services is used without regard to income, and is essential for the protection of children who are abused, neglected, or pushed out of their homes. Clearly, Title XX is being utilized to provide the family support services which will both prevent removal of children from their homes, protect them when they must have out of home care, and finally assist in the reunification with their families or in the location of a permanent placement for them. It is also critical to single parent families struggling to obtain self-sufficiency through the provision of day care and other support services which allow parents to work.

We cannot abandon those agencies attempting to provide these services, we cannot expect them to perform miracles, and we cannot punish them for trying to help the families that are in stress in this country. We can, however, help them by funding child welfare services at the level which is called for by the law—$266 million for fiscal year 1984, by maintaining a separate Child Welfare Training program which can assist in the training of workers to carry out the work of this law, by maintaining Title IV-E as an entitlement program for needy children, and by raising the Title XX Social Service Block Grant levels as called for in Chairman Ford's bill; $2.8 billion in fiscal year 1984, $2.9 billion in fiscal year 1985, and $3 billion in fiscal year 1986. We urge the members of this Subcommittee to support the full funding level of $266 million for child welfare services and to communicate with their colleagues on the Appropriations Committee as to the need for such funding.

AFDC, Title XX, and its interrelationship to Public Law 96-272 are all critical to the support of children and families. They provide for the basic needs of this vulnerable population. We appreciate the past support of this subcommittee for these programs and urge continued support through the provisions of H R. 2354.

STANDARD OF NEED AND MAXIMUM AFDC BENEFITS IN PUBLIC ASSISTANCE SUBCOMMITTEE STATES

[January 1983; family of 4]

	Standard of need [1] (per month)	Maximum benefit (per month)
Tennessee	$217	$154
California	601	601
Ohio	584	327
Texas	201	140
Georgia	432	229
Connecticut	599	599
South Carolina	229	169
Louisiana	620	234
Minnesota	520	520

[1] Standard of Need is what each State determines is essential.

Source: Congressional Research Service Survey.

Addendum to Written Testimony of the Child Welfare League of America, Inc.

Mr. Chairman, Members of the Committee, I appreciate the opportunity to speak with you today. I want to describe what is happening in the State of Tennessee with the money provided to the Social Services Block Grant, from the jobs bill, Public Law 98-8. I hope to show you that those funds are desperately needed in Tennessee, that those funds will be spent within the guidelines of Public Law 98-8 for much needed services for children, and that there is a real need for an increase in the regular Block Grant to the State for social services.

Tennessee was allocated 5.3 million under the jobs bill for the social service Block Grant. Tennessee's regular Title XX allocation is $52,768,200 for the last fiscal year, meaning that the jobs bill provides approximately 10 percent additional funding to Tennessee. Planning for expenditure of these funds was difficult given the short notice for development of the plan, and the time limitation on the expenditure of the funds. Nonetheless, the State has a plan which, in my opinion, meets the requirements of the law in being labor intensive in areas with high unemployment, as well as meeting critical human needs.

Tennessee has distributed the jobs bill money to counties with high rates of unemployment (long term unemployment over 10.5 percent or unemployment over 13.7 percent in February, 1983) in counties with over 5 percent of the total number of unemployed persons. All but 20 counties in the State received some allocation.

Each region that received funds was instructed to develop a local plan for contracting for labor intensive services in the following areas: (1) Homemakers services; (2) social services assistants; (3) chore services; (4) companionship services. Additionally regions were allowed to increase the number of vendor day care slots, or develop one of several pilot projects.

Currently each region in Tennessee is developing its local plan and these plans are due in the State DHS office by July 22. Contracts will be let for 13 months for the period Sept. 1, 1983 through Sept. 30, 1984.

In Shelby County Region IX of the State, $807,000 of additional money was allocated for this period. Those funds will be used for three programs: Homemakers service, social service assistants, and the sexual abuse team.

These programs were selected for Shelby County based on the need in that area. For example, over 400 clients are on the waiting list at Senior Citizens Service for Homemakers Service at the present time. In Protective Services, there has been a disturbing increase in the number of sexually abused children reported. For instance in 1981 in Shelby County there were 1531 child abuse cases, of which 206 were sexual abuse cases. For the first 6 months of 1983, there have been a total of 933 total child abuse cases, but 260 of these are sexual abuse. At that rate 1983 will more than double in fact nearly triple the number of sex abuse cases over 1981.

Looking at these statistics, Department of Human Services has planned to contract in Shelby County with the school mental health center to develop a sexual abuse unit to work with those cases. This contract will provide 6 counselors and one supervisor from the mental center, all of whom will be placed at the local Department of Human Services. These counselors will have the responsibility for carrying cases referred for sexual abuse. The supervisor will have responsibility for not only

supervising those workers and their cases but also working with regular DHS workers and their abuse caseloads.

Every case handled by Protective Service worker with child abuse is a serious one. Sexual abuse cases, constituting nearly ⅓ of those cases, are extremely critical. These cases however can be helped, through appropriate professional intervention. For instance, while preparing this statement, I learned of a recent case of a mother and father with three chldren ages 10–17 where both parents had sexually abused their own children. Mother and father had not only abused their children, but they had invited other acquaintances of theirs to join them. These children were removed from the family home and placed in foster care or residential care settings. The parents were referred to the mental health center for counseling, and the children were involved in therapy in their settings. After about a year of therapy for both parents and children, the children were returned home. This case is still being monitored, and is still in counseling, but at this point it is a success story. We believe that children ought to be with their own families, except when those families are unwilling or unable to provide proper care and protection for children. Our goal is always to reunite children and families if possible.

This project, the Sexual Abuse Unit, funded by the supplemental funds through the jobs bill, will cost $155,000 for 13 months. It will serve approximately 150 children during that time. It is designed to hire additional workers and create jobs, as well as provide much needed services. Preference for those counselors will be for social workers who are unemployed.

In more rural counties of Tennessee there has been some problem with developing permanency plans for children. As I indicated, the goal of Child Welfare Services is always reunification of children with families. In Shelby County, we have had for some years a team effort that has proved quite successful in returning children to their natural families. The State is interested in duplicating that kind of success in rural counties, and some of the jobs bill money will be spent in those areas for development of permanency planning units whose goals will be reunification.

I might point out that if the supplemental jobs bill money were not available, not only would these much needed programs dealing with sexual abuse, permanency planning, and protective services not be provided, some programs that have traditionally been funded by Title XX would have been cut. For instance, in Shelby County, without the Supplemental jobs funds, there would have been a reduction in the amount of Homemaker Services available during the coming fiscal year.

The real question is what happens after jobs bill money runs out. Everyone knows that this is a one year allocation. I believe there is a real need for an increase in the regular Title XX Social Services Block Grant from 2.5 billion to 2.8 billion. I would favor turning the jobs bill allocation into a regular allocation that would remove the restriction requiring money to be used for labor intensive projects. For instance, I indicated that the Chore Services added in some regions of the State were developed partly because it was a way to create jobs, not necessarily because Chore Services was deemed to be the highest priority services in that area. Tennessee's plan for social services allows each region to develop its own priorities within a general framework. In general, Chore Services is a lower priority across the State, and higher priority items include programs such as daycare, protective services and foster care.

If there is no increase in Title XX in the next fiscal year, Tennessee will be in a very difficult situation. The regular allocation of $52,700,000 is being spent. Without additional funding, there is no doubt that some resources for children will be lost. At this time I cannot tell you where those cuts will have to be made. However I think I can explain some of the problems that are faced by the State.

For example Title XX funds are used by the State to pay for part of the cost of care for children in residential treatment programs or specialized foster care or group home programs available through private agencies such as my own. These agencies receive a boarding cost paid for from Title IV or State funds, and a service cost paid for from Title XX. There is tremendous pressure from these highly specialized agencies on the Department of Human Services to increase the reimbursement from DHS for the care they are providing these children. Typically I am talking about the very hard to place child. This is a child that is in need of psychiatric care, a child in need of programs for emotionally or behaviorally disturbed, a child with delinquent or semi-delinquent behavior. These agencies are struggling to keep costs down, but are in the difficult position that they may have to close if the State is not able to pay for the cost of care. Kids will end up on the streets, or in less appropriate settings where they will not be able to be cared for.

My own agency is an example of this. Our foster care and group home budget is about $330,000 this year, serving 35 children at any one time in three group homes

and several foster homes. Our caseload is predominantly adolescent, typically children who have had multiple placements prior to placement with us. Our Title XX contract is $35,000, about 10 percent of our total foster care budget. We receive about $155,000 in boarding care from DHS for these children. Thus our total income from the State is $190,000 ($35,000+$155,000), and our total expenditure is $330,000. The deficit is made up principally from United Way and our own fund raising efforts. While these children are the responsibility of the State, the State pays little more than half the cost of care for these children, depending upon volunteer resources to pick up the rest. It is increasingly difficult for United Way or volunteer resources to continue to pick up these deficits, thus we are asking the State to do better. They in turn are asking Title XX for an increase in their allocation in order to keep those kids in the group homes that we have.

Mr. Chairman, Members of the Committee, thank you for hearing me out. I hope I have demonstrated that the jobs bill funds will be used in a manner you intended for much needed services in Tennessee. I hope you understand there is a very real need for an increase in regular Title XX allocation.

Chairman FORD. We are going to go to the other witnesses but from the 1982 Reconciliation Act passed in Congress, would dollar amounts be—what is the dollar amount cut from Porter-Leath in the last year?

Mr. BENNETT. About $100,000 from a $400,000 allocation down to less than $300,000.

Chairman FORD. You lost about $100,000 out of title XX?

Mr. BENNETT. Yes.

Chairman FORD. Any other area that you have lost some funds due to some cuts?

Mr. BENNETT. The clinic lost $300,000 in its grant.

Chairman FORD. The impact of that as they relate to the children and all, what has been the real impact? Has United Way picked up the total deficits?

Mr. BENNETT. No, it has not. We are trying to make up deficits ourself and have been struggling with our own board to try to raise some additional funds.

Chairman FORD. Have you had a cut in services to the children?

Mr. BENNETT. Yes, we have. We have lost slots in day care, slots in emergency shelter care.

Chairman FORD. What impact has that had on the immediate community that you offer service to?

Mr. BENNETT. The most immediate impact has been in terms of the medical clinic which serves kids in that area, and we are—we have reduced our ability to serve kids in medical services in north Memphis.

Chairman FORD. Were you connected with medical services there? Are you or were you?

Mr. BENNETT. I don't operate that program directly.

Chairman FORD. Mrs. Crawford, Sandra Crawford.

STATEMENT OF SANDRA CRAWFORD, PUBLIC POLICY CHAIRMAN, THE ASSOCIATION OF JUNIOR LEAGUES, INC.

Ms. CRAWFORD. I am past president of the Junior League of Philadelphia and on the board of directors on the public policy committee for the Association of Junior Leagues.

That association is an international womens volunteer organization with 243 member leagues in the United States representing approximately 148,000 individual members. The association's com-

mitment to the improvement of services for children and families is longstanding. I will highlight my testimony.

Chairman FORD. Your full statement will be made a part of the record.

Ms. CRAWFORD. I appreciate this opportunity to appear before you today to express the association's concern about the administration's spending proposals for programs that are under the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation. We believe that these proposals would adversely affect some of our Nation's neediest children and families.

This is the second time in the past 15 months that representatives of the association have appeared before this subcommittee to urge you to support adequate funding for the title XX SSBG. Fortunately for our Nation's children and families, Congress, with strong support from this subcommittee, responded positively to the pleas of child advocates to save the title XX SSBG from further cuts. This subcommittee has always been a strong supporter of this program, and we look forward to your continued leadership in social services.

The association opposes further reductions in the title XX social services block grant because, as this subcommittee is well aware, this program is the basic funding source for a variety of crucial social services provided in all of our communities. To highlight a few:

Child care services enable low-income parents to work or train for employment; the SSBG is the major funding source for child care for these parents.

Child protective services are increasingly necessary as reports of child abuse and neglect increase; the SSBG is the major Federal funding source for these services.

Child welfare services such as those to children and families in foster care also are funded by the SSBG.

Home care services are essential for elderly and disabled persons to remain in their homes and avoid costly institutions; the SSBG remains an important source of funds for these services.

Title XX was severely cut by the Omnibus Budget Reconciliation Act of 1981, which reduced its funding level for fiscal year 1984 from approximately $3.3 billion to $2.5 billion. The great majority of States and localities are fully using all available SSBG funds at present. In 1981, the last year for which audited figures are available, States spent more than 99 percent of the available SSBG funds. Any further cuts in this program will be at the expense of the poorest of the poor. Recognizing the need for increased assistance under this program, Congress provided an additional $225 million for it as part of the emergency jobs program, Public Law 98–8. Now, the administration is attempting to undo that action by proposing a reduced funding level for the SSBG for fiscal year 1984.

In addition, the administration is requesting the repeal of the community services block grant which is currently funded at $343 million, suggesting that SSBG funds can be used for activities authorized under the community services block grant. This proposed change would further erode the capacity of social service administrators to meet the demands for social services. Programs funded

under the SSBG and CSBG would be pitted against one another, competing for already insufficient resources. We urge this committee to resist these attempts to undercut programs that help poor women, children, and the elderly, and to support the recommendations of the budget resolution passed by Congress on June 23.

We are pleased that Representative Harold Ford, the chairman of this subcommittee, has acknowledged the need for increased funding for the title XX SSBG by introducing H.R. 2354. We strongly support the funding levels for the title XX SSBG established by H.R. 2354; that is, $2.8 billion for fiscal year 1984, $2.9 billion for fiscal year 1985, and $3 billion for fiscal year 1986.

If no increase in funding for the SSBG is voted for fiscal year 1984, the $225-million increase for fiscal year 1983 provided under the emergency jobs legislation will have only been in effect for a short period. If this funding is discontinued, many services supported by it will be eliminated before they have had the chance to be effective. We strongly concur with the provisions of H.R. 2354 regarding the SSBG and the need to increase—not decrease—the funding levels provided by the jobs bill.

We base our recommendations to this subcommittee on the reports from junior leagues across the country regarding the needs of their communities and their requests for assistance in meeting these needs. Led by the Junior League of Columbus, Ohio, 36 junior leagues from all sections of the country, including junior leagues in Texas, two, California, five, Tennessee, one, and Ohio, seven, cosponsored the following resolution at the association's annual conference held May 15 to 18 in Dallas, Tex.

Be it resolved that the delegates return to their home communities more conscious of the need to continue to make our junior leagues better able to respond appropriately and expeditiously to the basic human needs of food, clothing, shelter, and utilities.

Be it further resolved that the association board do all that is within its capabilities to enable the member leagues to effectively assume such a vital and critical role.

The resolution was passed unanimously. In support of their resolution, the members of the Junior League of Columbus said:

> Many, many of us will return home this week to cities where 10 to 15 percent of the people live below the poverty level and a similar percentage are unemployed, many for the first time, constituting a population we now call the "new poor."

The Columbus Junior League took this initiative because of the dramatic impact of these problems in their community. The community was able to partially respond to these needs because of the funds for emergency food and shelter included in the emergency jobs program, Public Law 98–8.

Unmet needs also are being discovered by many of the junior leagues participating in child watch, a citizens' monitoring project developed by the children's defense fund in collaboration with the Association of Junior Leagues. The Child Watch project of the Junior League of Wichita, Kans., reports that: "Parents in need of inexpensive child care are opting for a number of solutions, some of them being highly undesirable: Parents will accept any choice to remain employed—no supervision, relative/neighbor care, 'look in' care by a neighbor; in one case, an 8-year-old child looks after her

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3-year-old sibling; one young mother left her two young children, ages 3 and 4, in the car in the parking lot of a plant where she worked."

As a result of the 1981 budget cuts, the number of daycare slots funded by the SSBG title XX in Wichita was reduced from 800 to 300 with AFDC recipients required to use the child care disregard to pay for their child care. This meant a number of children were shifted from child care settings with which they were familiar to new, often unlicensed, settings. Kansas also discontinued providing child care for mothers in training programs and reduced the eligibility for title XX day care from 80 percent to 70 percent of the State's median income. In addition, the fees required of parents were increased by 25 percent.

Moreover, from 1980 to 1983, the child care staff in the Kansas Department of Social and Rehabilitative Services [SRS], has been cut from nine to two persons. The United Way has increased allocations targeted to the local child care association. However, as a result of high area unemployment, United Way contributions are expected to result in a 3.5-percent shortfall in the projected allocation. Additionally, there has been an increase in the number of family day-care providers whose own impoverished circumstances make them personally eligible for the Federal commodities; for example, food programs.

In my own home State, the Pittsburgh Junior League's Child Watch interviewers report that many believe an increase in the ration of adult staff to children in child care has resulted in a reduction in the quality of care. The Pittsburgh Child Watch project also reports that transportation subsidies have been severely cut back, eliminating transportation services for children with emotional disabilities.

Additionally, preventive services aimed at preschool children have been lost, a factor which may result in the need to spend more money in the future as the children grow up and their problems worsen. Service providers are also projecting that 1 in 10 families are experiencing some type of sexual abuse problem, yet funds are insufficient to provide the special services these children and their families need.

In Pittsburgh, the reduction in SSBG funds for homemakers also is seriously restricting the provision of services to children who have been deinstitutionalized and returned home in keeping with a mandate to reduce institutional services in favor of more effective and less costly home-based services for children at risk. As I am sure this subcommittee is well aware, deinstitutionalization cannot succeed unless adequate funding is provided for community-based services.

In Birmingham, Ala., the Child Watch project reports that high unemployment coincided with a reduction in available day care slots. For many families interested in returning to work, the lack of sufficient quality child care is a major impediment in enabling a return to gainful employment. Both the Birmingham Child Watch project and the Pittsburgh Child Watch project also report problems resulting from the impact of title XX cuts on homemaker services.

In Birmingham, the majority of the population seeking homemaker services had traditionally required short-term assistance when a family member was hospitalized. Over the last several years, however, the population seeking services has changed dramatically. Now, the overwhelming majority is seeking assistance because of abuse and neglect. This population requires more skilled homemaker services. However, the cuts in SSBG funds make it impossible to provide the type of skilled homemaker services required.

In Onondaga County, N.Y., the director of the Onondaga Child Care Council, an organization whose board includes a representative of the Junior League of Syracuse, reports that the demand for child care among single mothers is increasing as a result of a slight upturn in employment. However, because the eligibility levels for title XX child care have been lowered, most women are ineligible for child care assistance despite the fact that their jobs are primarily entry level positions paying low or minimum wages. A study, "Where Have All the Children Gone," by the New York State Child Care Coordinating Council, reports that one mother has refused pay raises and promotions in order to maintain her child's eligibility for day care.

Similar problems exist in Philadelphia where I represent the Junior League of Philadelphia on the Day Care Advisory Committee for Philadelphia County. Because of a sharp drop in title XX funding—from $24.7 million in 1979-80 to $16.4 million in 1981-82—the county eliminated its child care problem for latch key children as well as its recreation and camping program—another program designed for school-age children.

In addition, child care providers report that many parents are unable to pay their share of the child care costs required by the sliding fee scale established after the 1981 cuts in title XX. As a result, the agencies are being forced to drop from their rolls children with no other child care available to them.

We also support the provision in H.R. 2354 which permanently authorizes funding for voluntary foster care placements when the procedural safeguards and time limits set forth in Public Law 96-272 are met. The association supported the provision allowing for time-limited voluntary placements when Public Law 96-272 was originally passed, and we continue to support it. We believe that allowing a voluntary placement for a specified period of time without requiring a judicial determination allows for emergency short-term foster care without encouraging long-term placements.

The association has not yet taken a stand specifically on the AFDC program. However, because of our positions on women's and children's issues, we have followed the policy changes in AFDC and the other public assistance programs over the past 2 years. We are concerned about the effect of these changes on poor women and children.

AFDC is one of the program areas monitored by the Child Watch projects. The first round of Child Watch interviews documented that children in many working families have been cut off from AFDC or had their benefits reduced as a result of cuts and changes in the AFDC program.

We are pleased that H.R. 3512, introduced by Representative Fortney (Pete) Stark, recognizes the problems of domestic violence and would provide $50 million for emergency shelter for families, children, and individuals who have been battered. However, we recommend that this proposal receive multiyear funding to provide for continuity of effort and more long-range planning in the provision of services to the victims of domestic violence.

Although we have not taken a formal stand on H.R. 2563 calling for integrated human delivery systems, we naturally favor efforts which propose to eliminate fragmentation and improve delivery systems. However, we caution that such efforts in the past have, on occasion, led to the elimination of some services and have created access problems, especially in areas without adequate public transportation.

In conclusion, we urge the Subcommittee on Public Assistance and Unemployment Compensation to continue its leadership in protecting social services programs for children and their families by supporting the funding levels for the SSBG program established by H.R. 2354, partially restoring the funds cut in 1981.

Once again, I thank you for allowing me to appear before you today on behalf of the Association of Junior Leagues.

[The prepared statement follows:]

STATEMENT OF SANDRA CRAWFORD, PUBLIC POLICY CHAIRMAN, THE ASSOCIATION OF JUNIOR LEAGUES, INC.

SUMMARY

The Association of Junior Leagues urges the Subcommittee on Public Assistance and Unemployment Compensation of the House Ways and Means Committee to increase the funding level for the Title XX Social Services Block Grant as set forth in H.R. 2354 to $2.8 billion for fiscal year 1984, $2.9 billion for fiscal year 1985, and $3 billion for fiscal year 1986. The Association also urges the subcommittee not to make further cuts in social service programs designed to help the neediest and to reject the Reagan Administration proposals to reduce funding for these programs.

I. The association

A. International women's voluntary organization.

B. 243 Junior Leagues; approximately 148,000 individual members in the United States.

C. Promotes the solution of community problems through voluntary citizen involvement, and trains Junior League members to be effective voluntary participants in their communities.

II. Title XX social services block grant

A. The Association of Junior Leagues opposes President Reagan's proposal to cut the Social Services Block Grant (SSBG) to $2.44 billion and eliminate the Community Services Black Grant (CSBG) (funded at $343 million in fiscal year 1983) with the proviso that SSBG funds can be used for CSBG programs.

B. Congress recently recognized the need for increased social services by including an additional $225 million for the SSBG in the Emergency Jobs Bill Pub. Law 98-8).

C. Another drastic cut in services can be expected to cause chaos in social services delivery by the states (especially when many states are reporting severe cutbacks in child care) particularly programs for the working poor. The need is to increase—not decrease—the funding levels provided by the jobs bill. For this reason, the Association supports funding levels for the SSBG established by H.R. 2354.

III. Voluntary placement of children in foster care

A. Association supports provision in H.R. 2354 which makes permanent the current provision allowing funds from Title IV-E of the Social Security Act to pay for time-limited voluntary foster care placements.

IV. AFDC

A. Junior Child Watch projects report that recent cuts in AFDC have caused severe hardship to children and their families. The Association of Junior Leagues is pleased that the Subcommittee on Public Assistance and Unemployment Compensation is proposing legislation aimed at restoration of work incentives and more equitable treatment of AFDC recipients.

V. Domestic violence

A. The Association supports funding for domestic violence programs as proposed in H.R. 3512, but urges multi-year authorization rather than one-year funding.

I am Sandra Crawford of Gladwyne, Pennsylvania, Public Policy Chairman of the Association of Junior Leagues, and a past president of the Junior League of Philadelphia. The Association of Junior Leagues is an international women's voluntary organization with 243 member Leagues in the United States, representing approximately 148,000 individual members. Junior Leagues promote the solution of community problems through voluntary citizen involvement, and train their members to be effective voluntary participants in their communities. The Association's commitment to the improvement of services for children and families is longstanding. Junior League volunteers have been providing such services since the first Junior League was founded in New York City in 1901. In the 1970's, the Association and individual Junior Leagues expanded their activities on behalf of children and families to advocate for legislation and administrative changes directed at improving the systems and institutions which provide services to children and their families.

I appreciate this opportunity to appear before you today to express the Association's concern about the Administration's spending proposals for programs that are under the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation. We believe that these proposals would adversely affect some of our nation's neediest children and families. This is the second time in the past 15 months that representatives of the Association have appeared before this subcommittee to urge you to support adequate funding for the Title XX SSBG. Fortunately for our nation's children and families, Congress, with strong support from this subcommittee, responded positively to the pleas of child advocates to save the Title XX SSBG from further cuts. This subcommittee has always been a strong supporter of this program, and we look forward to your continued leadership in social services.

Title XX social services block grant

The Association opposes further reductions in the Title XX Social Services Block Grant because, as this subcommittee is well aware, this program is the basic funding source for a variety of crucial social services provided in all of our communities. To highlight a few:

Child care services enable low-income parents to work or train for employment; the SSBG is the major funding source for child care for these parents.

Child protective services are increasingly necessary as reports of child abuse and neglect increase; the SSBG is the major federal funding source for these services.

Child welfare services such as those to children and families in foster care also are funded by the SSBG.

Home care services are essential for elderly and disabled persons to remain in their homes and avoid costly institutions; the SSBG remains an important source of funds for these services.

Title XX was severely cut by the Omnibus Budget Reconciliation Act of 1981, which reduced its funding level for Fiscal Year 1984 from approximately $3.3 billion to $2.5 billion. The great majority of states and localities are fully using all available SSBG funds at present. (In 1981, the last year for which audited figures are available, states spent more than 99 percent of the available SSBG funds.) Any further cuts in this program will be at the expense of the poorest of the poor. Recognizing the need for increased assistance under this program, Congress provided an additional $225 million for it as part of the Emergency Jobs Program (Public Law 98-8). Now, the Administration is attempting to undo that action by proposing a reduced funding level for the SSBG for fiscal year 1984.

In addition, the Administration is requesting the repeal of the Community Services Block Grant which is currently funded at $343 million, suggesting that SSBG funds can be used for activities authorized under the Community Services Block Grant. This proposed change would further erode the capacity of social service administrators to meet the demands for social services. Programs funded under the SSBG and CSBG would be pitted against one another, competing for already insufficient resources. We urge this committee to resist these attempts to undercut pro-

grams that help poor women, children and the elderly and to support the recommendations of the budget resolution passed by Congress on June 23.

We are pleased that Representative Harold Ford (D-TN), the chairman of this subcommittee, has acknowledged the need for increased funding for the Title XX SSBG by introducing H.R. 2354. We strongly support the funding levels for the Title XX SSBG established by H.R. 2354, that is, $2.8 billion for fiscal year 1984, $2.9 billion for fiscal year 1985, $3 billion for fiscal year 1986. If no increase in funding for the SSBG is voted for fiscal year 1984, the $225 million increase for fiscal year 1983 provided under the emergency jobs legislation will have only been in effect for a short period. If this funding is discontinued, many services supported by it will be eliminated before they have had the chance to be effective. We strongly concur with the provisions of H.R. 2354 regarding the SSBG and the need to increase—not decrease—the funding levels provided by the jobs bill.

Helping communities meet basic needs

We base our recommendations to this subcommittee on the reports from Junior Leagues across the country regarding the needs of their communities and their requests for assistance in meeting these needs. Led by the Junior League of Columbus, Ohio, 36 Junior Leagues from all sections of the country, including Junior Leagues in Texas (2), California (5), Tennessee (1) and Ohio (7), cosponsored the following resolution at the Association's Annual Conference held May 15-18 in Dallas, Texas:

"Be it resolved that the delegates return to their home communities more conscious of the need to continue to make our Junior Leagues better able to respond appropriately and expeditiously to the basic human needs of food, clothing, shelter, and utilities.

"Be it further resolved that the Association Board do all that is within its capabilities to enable the member Leagues to effectively assume such a vital and critical role."

The resolution was passed unanimously. In support of their resolution, the members of the Junior League of Columbus said:

"Many, many of us will return home this week to cities where 10 to 15 percent of the people live below the poverty level and a similar percentage are unemployed, many for the first time, constituting a population we now call the 'new poor.'"

The Columbus Junior League took this initiative because of the dramatic impact of these problems in their community. The community was able to partially respond to these needs because of the funds for emergency food and shelter included in the Emergency Jobs Program (Public Law 98-8).

Reports from Junion League child watch projects

Unmet needs also are being discovered by many of the Junior Leagues participating in Child Watch, a citizen's monitoring project developed by the Children's Defense Fund in collaboration with the Association of Junior Leagues. The Child Watch project of the Junior League of Wichita, Kansas, reports that:

Parents in need of inexpensive child care are opting for a number of solutions, some of them being highly undesirable.

Parents will accept any choice to remain employed—no supervision, relative/neighbor care, "look in" care by a neighbor.

In one case, an eight-year-old child looks after her three-year-old sibling.

One young mother left her two young children, ages three and four, in the car in the parking lot of a plant where she worked.

As a result of the 1981 budget cuts, the number of day care slots funded by the SSBG Title XX in Wichita, was reduced from 800 to 300 with AFDC recipients required to use the child care disregard to pay for their child care. This meant a number of children were shifted from child care settings with which they were familiar to new, often unlicensed, settings. Kansas also discontinued providing child care for mothers in training programs and reduced the eligibility for Title XX day care from 80 percent to 70 percent of the state's median income. In addition, the fees required of parents were increased by 25 percent.

Moreover, from 1980 to 1983, the child care staff in the Kansas Department of Social and Rehabilitative Service (SRS) has been cut from nine to two persons. The United Way has increased allocations targeted to the local child care association. However, as a result of high area unemployment, United Way contributions are expected to result in a 3.5 percent shortfall in the projected allocation. Additionally, there has been an increase in the number of family day care providers whose own impoverished circumstances make them personally eligible for the federal commodites (e.g., food) programs.

In my own home state, the Pittsburgh Junior League's Child Watch interviewers report that many believe an increase in the ratio of adult staff to children in child care has resulted in a reduction in the quality of care. The Pittsburgh Child Watch project also reports that transportation subsidies have been severely cut back, eliminating transportation services for children with emotional disabilities. Additionally, preventive services aimed at pre-school children have been lost, a factor which may result in the need to spend more money in the future as the children grow up and their problems worsen. Service providers are also projecting that one in ten families are experiencing some type of sexual abuse problem yet funds are insufficient to provide the special services these children and their families need.

In Pittsburgh, the reduction in SSBG funds for homemakers also is seriously restricting the provision of services to children who have been deinstitutionalized and returned home in keeping with a mandate to reduce institutional services in favor or more effective and less costly home-based services for children at risk. As I am sure this subcommittee is well aware, deinstitutionalization cannot succeed unless adequate funding is provided for community-based services.

In Birmingham, Alabama, the Child Watch project reports that high unemployment coincided with a reduction in available day care slots. For many families interested in returning to work, the lack of sufficient quality child care is a major impediment in enabling a return to gainful employment. Both the Birmingham Children Watch project and the Pittsburgh Child Watch project also report problems resulting from the impact of Title XX cuts on homemaker services. In Birmingham, the majority of the population seeking homemaker services had traditionally required short-term assistance when a family member was hospitalized. Over the last several years, however, the population seeking services has changed dramatically. Now, the overwhelming majority is seeking assistance because of abuse and neglect. This population requires more skilled homemaker services. However, the cuts in SSBG funds make it impossible to provide the type of skilled homemaker services required.

Reports from other Junior Leagues

In Onondaga County, New York, the Director of the Onondaga Child Care Council, an organization whose board includes a representative of the Junior League of Syracuse, reports that the demand for child care among single mothers is increasing as a result of a slight upturn in employment. However, because the eligibility levels for Title XX child care have been lowered, most women are ineligible for child care assistance despite the fact that their jobs are primarily entry level positions paying low or minimum wages. A study, "Where Have All the Children Gone," by the New York State Child Care Coordinating Council reports that one mother has refused pay raises and promotions in order to maintain her child's eligibility for day care.

Similar problems exist in Philadelphia where I represent the Junior League of Philadelphia on the Day Care Advisory Committee for Philadelphia County. Because of a sharp drop in Title XX funding (from $24.7 million in 1979-80 to $16.4 million in 1981-82), the county eliminated its child care program for latch key children as well as its recreation and camping program—another program designed for school-age children. In addition, child care providers report that many parents are unable to pay their share of the child care costs required by the sliding fee scale established after the 1981 cuts in Title XX. As a result, the agencies are being forced to drop from their rolls children with no other child care available to them.

Voluntary placement

We also support the provision in H.R. 2354 which permanently authorizes funding for voluntary foster care placements when the procedural safeguards and time limits set forth in Public Law 96-272 are met. The Association supported the provision allowing for time-limited voluntary placements when Public Law 96-272 was originally passed and we continue to support it. We believe that allowing a voluntary placement for a specified period of time without requiring a judicial determination allows for emergency short-term foster care without encouraging long-term placements.

AFDC

The Association has not yet taken a stand specifically on the AFDC program. However, because of our positions on women's and children's issues, we have followed the policy changes in AFDC and the other public assistance programs over the past two years. We are concerned about the effect of these changes on poor women and children.

AFDC is one of the program areas monitored by the Child Watch projects. The first round of Child Watch interviews documented that children in many working families have been cut off from AFDC or had their benefits reduced as a result of cuts and changes in the AFDC program. Two of the major reasons for working families losing AFDC or receiving reduced benefits were the cap on gross income equal to 150 percent of a state's standard of need and the elimination of the $30 and one-third work incentive disregard after four months. These general trends are confirmed by reports from Junior Leagues conducting Child Watch projects. In Wilmington, Delaware, Child Watch volunteers found that the number of AFDC cases decreased by 10.74 percent between October 1981 and May 1982. Also, the use of retrospective budgeting was found to create a hardship not only for the client but for the agency administering the AFDC program. In Milwaukee, Wisconsin, Child Watch volunteers were told that many AFDC families found they were better off economically if they left their jobs or training programs. More than 2,300 working families using child care were dropped from AFDC in Milwaukee after the work disincentives went into effect in 1981. It is estimated that approximately one-third of them have returned to dependence on AFDC as unemployed recipients.

In Wichita, Kansas, Child Watch volunteers discovered that the number of persons on AFDC decreased significantly in 1981 but that more recently "despite stiffer eligibility guidelines, the number of cases has increased due to the depressed economy."

In Birmingham, Alabama, the Child Watch project learned that, as a result of the Reconciliation Act of 1981, more than 3,000 AFDC cases were terminated in the state between October 1981 and February 1982. Most of these terminations were related to new policies regarding the computation of income available to AFDC families.

The Child Watch project of the Junior League of Des Moines reports that, from June 1981 to May 1982, approximately 15,000 fewer women and children in Iowa received AFDC. Interviewers stated that the new AFDC guidelines had removed work incentives and that the loss of opportunity was having a demoralizing impact on those affected by the changes. Interviewers were told that the "unavailability of assistance, joblessness and overall economic conditions have resulted in increased family dysfunction and family breakups."

The changes in earned income disregards particularly affect work incentives. From 1967 to 1981, AFDC recipients were provided with assistance and incentives to work. These incentives, notably the $30 and one-third earned income disregard, made it possible for women and children to improve their financial status. This is particularly important in states with very low AFDC grant levels. Although very few AFDC mothers earned enough to move above the poverty level, working mothers have been able to improve their family's living conditions by a combination of income from employment and public assistance. We are pleased that this subcommittee is proposing legislation aimed at restoration of work incentives and more equitable treatment for AFDC recipients.

Domestic violence

We are pleased that H.R. 3512, introduced by Representative Fortney (Pete) Stark (D-CA), recognizes the problems of domestic violence and would provide $50 million for emergency shelter for families, children, and individuals who have been battered. However, we recommend that this proposal receive multi-year funding to provide for continuity of effort and more long-range planning in the provision of services to the victims of domestic violence.

H.R. 2563

Although we have not taken a formal stand on H.R. 2563 calling for integrated human delivery systems, we naturally favor efforts which propose to eliminate fragmentation and improve delivery systems. However, we caution that such efforts in the past have, on occasion, led to the elimination of some services and have created access problems, especially in areas without adequate public transportation.

In conclusion, we urge the Subcommittee on Public Assistance and Unemployment Compensation to continue its leadership in protecting social services programs for children and their families by supporting the funding levels for the SSBG program established by H.R. 2354, partially restoring the funds cut in 1981.

Once again, I thank you for allowing me to appear before you today on behalf of the Association of Junior Leagues.

Chairman FORD. Thank you.

Mr. CAMPBELL. On H.R. 2563, one of the major reasons that H.R. 2563 was undertaken was the objection or the concern that you raised. There were so many different places a person had to go to to try to determine whether they were eligible, and poor people didn't have any way of getting there. That was one of the reasons for the attempt at some of the integrated service, and trying to do the test projects to see what part could be integrated—whether it was just the application part, getting to a situation where a social worker could work with a client in more than one agency setting, and where the person himself could get to a place with information without having to go there and find the other agency was across town. So I was deeply concerned with the transportation in drafting this legislation.

Ms. CRAWFORD. Thank you very much. I am glad you are.

Chairman FORD. Ms. Brenda Russell.

STATEMENT OF BRENDA L. RUSSELL, LEGISLATIVE ASSOCIATE, CHILD WELFARE LEAGUE OF AMERICA, AND MEMBER, LEGISLATIVE COMMITTEE, COALITION ON BLOCK GRANTS AND HUMAN NEEDS

Ms. RUSSELL. Good afternoon. I am Brenda Russell, legislative associate for the Child Welfare League of America, and member of the Legislative Committee of the Coalition on Block Grants and Human Needs, which I am representing here today.

On behalf of the coalition, I would like to thank you for giving us the opportunity to appear before you today to provide our views on programs critical to low income people. I shall summarize our written statement as requested.

Chairman FORD. It will be made a part of the record.

Ms. RUSSELL. The coalition is an alliance of over 100 national organizations which are deeply concerned about the devastating impact of cuts in funding and service delivery to America's poor and disadvantaged. Members of the coalition are united by common commitment to four central principles in relation to programs for the poor: Adequate Federal funding for human needs and income maintenance programs; Federal standards to insure that such funds are targeted to those people with greatest need; Federal enforcement of civil rights and other protections for Americans with special circumstances; and Federal guidelines to insure that local, State, and Federal agencies follow open democratic decisionmaking processes and adhere to basic standards for public accountability, including adequate recordkeeping, auditing, and oversight.

We appear before this subcommittee with deep appreciation and respect, for we know that you have championed protections for our Nation's most vulnerable populations. We are pleased that Chairman Ford has introduced, for the second year in a row, provisions which would reinstate some work incentives in the AFDC program and restore some of the funding for the title XX social services block grant.

Members of the coalition advocated for a 1984 budget that would alleviate some of the human pain and suffering inflicted upon America's poor population. We are pleased that the budget allows

for such improvements in AFDC and title XX as are before the subcommittee today.

Since 1981, the coalition has focused on block grant proposals, means-tested entitlement programs, New Federalism initiatives, and Federal budgets. The first two budgets under this administration have been designed to reduce and eliminate Federal support for dozens of programs crucial to the well-being of millions of Americans.

While the administration claims to be "pro family" and "pro work," the restrictive AFDC amendments contained in OBRA were targeted toward those parents working to help support their families. The cutbacks have most severely affected mothers working outside the home.

In a recent study commissioned by the Department of Health and Human Services by the Research Triangle Institute, "Evaluation of the 1981 AFDC Amendments," it is claimed that the 1981 amendments achieved the desired results of reforming the AFDC program. The report says that the working poor beneficiaries cut from the program did not quit their jobs and return to the welfare rolls. Among other things, this report does not tell you what did happen to those families afterward. How have they coped? Are the families still intact, or have their children been placed in substitute care due to inadequate resources? What this report does show is that given the choice, recipients strongly prefer work to welfare, even when there is little to minimal financial advantage.

The coalition opposed the elimination of work incentive provisions in the AFDC program. Not only are they unjust, but we do not believe that the budget should be balanced on the backs of the poor. We question whether even the goal of saving the Federal Government money has been accomplished with such punitive provisions.

A May 19, 1983 New York Times article by Tom Joe, director of the Center for the Study of Social Policy, and Jack Meyer, resident fellow in economics at the American Enterprise Institute, sums it up this way:

> This administration wants to convince taxpayers that it is in the national interest to reduce public assistance benefits to low income workers. Simple arithmetic does not support its argument. For example, if 10 working families each getting $30 per month in supplemental AFDC benefits are cut from the rolls, and only one comes back on a full grant cost of $300 a month—about the median AFDC benefit for a family of three in 1982—the cost of supporting this one household offsets the savings achieved at the expense of the many people who keep plugging at their jobs.

The coalition supports Chairman Ford's bill, H.R. 2354. The reinstatement of earned income disregards—encourages people who have limited skills or who can only find low paying jobs to work. If a person has a job, the earned income disregards, coverage of day care expenses for young children, and related work expenses, encourages them to keep their jobs. If a person is on assistance and is offered a job, it encourages her to take the job. She would hesitate to go off AFDC and take the job if that meant loss of health coverage, high day care costs, and work-related expenses which would eat into limited salaries. The current AFDC policies in fact, promotes such disincentives. We endorse public policies and legislation such as the Ford bill which encourage people to work.

The coalition also supports several provisions contained in Congressman Stark's bill, such as making monthly reporting and retrospective budgeting a State option and allowing a Federal match for supplements under MMRB systems when the State cannot respond promptly to immediate needs. This would allow the States more flexibility to meet unforeseen needs of families served.

We recommend that the child care expenses be deducted last when calculating AFDC eligibility and benefits, which is another provision in Mr. Stark's bill. If the day care expenses are not deducted in this way, families who have equal earned income but pay for their child care directly receive less from earned income work incentives than those who receive title XX day care or have day care provided at no cost through friends or relatives. We recommend use of this formula that provides the income disregards in a way that is equitable for all and is the most economically advantageous for all. In addition, we believe that the actual cost of child care should be allowed or at least increased to $200 per month per child.

Although we have not seen the actual legislative language, we wholeheartedly support the effort being sponsored by Congresswoman Kennelly to restore AFDC coverage to first-time pregnant women. In order for a woman to produce a sound and healthy baby, she must have her own survival needs met. Without adequate nutrition, housing, and regular prenatal care provided to a pregnant woman, the chances of delivering a healthy baby are slim, at best. Also, the ability of a pregnant woman to obtain gainful employment sufficient to meet her special needs is questionable. The amendment emphasizes humane and cost-effective measures, particularly when compared to the cost of neonatal care for an infant denied the ability to develop properly because the mother did not receive necessary benefits until the third trimester of her pregnancy.

A study released by the coalition, "New Federalism or Old Hoax?: Block Grants in Fiscal Year 1982," found that the dramatic cut in the title XX program caused severe hardship for many citizens unable to obtain the services they needed. Cuts were not made across-the-board, but, for example, in such areas as day care and employment related services. We oppose the administration's efforts to further decrease Federal support for the title XX social services program.

Title II of Chairman Ford's bill would partially restore Federal funds for social services by raising the ceiling $300 million to $2.8 billion for fiscal year 1984. The fiscal year 1984 budget specifically allows for an increase of $300 million for this important program, which was funded in fiscal 1981 at $2.9 billion. H.R. 2354 also provides for future increases in the social services ceiling of $2.9 billion in fiscal 1985 and $3 billion in fiscal 1986. The coalition fully supports such efforts to increase this comprehensive human services program.

In closing, we ask the subcommittee to keep in mind the principles of equity and fairness the coalition supports as it carries out its responsibilities in designing and authorizing programs which assist the most vulnerable members of our society in achieving

income security. We thank you for the opportunity to share our concerns with you today.

[The statement of Ms. Russell follows:]

STATEMENT OF BRENDA L. RUSSELL, LEGISLATIVE ASSOCIATE, CHILD WELFARE LEAGUE OF AMERICA, CENTER FOR GOVERNMENTAL AFFAIRS, WASHINGTON, D.C., ON BEHALF OF THE COALITION ON BLOCK GRANTS AND HUMAN NEEDS

SUMMARY

Recommendations

We support H.R. 2354, especially its provisions which: reinstate earned income disregards as work incentives; increase funds for Title XX Social Services Block Grant; provide for voluntary placement for AFDC foster care children.

We endorse those concepts in H.R. 3512 which are designed to rectify inequities currently existing in the AFDC program, including: disregard the earned income tax credit as countable income; calculate day care costs last; extend coverage for students to age 20; eliminate work requirements for women in the third trimestar of pregnancy; make MMRB a state option; permit states to recalculate the ineligibility period regarding lump sum income to families; allow states to reimburse the AFDC recipient for expenses related to community work experience program; and allows states to forego recoupment of overpayments.

We support the amendment by Rep. Kennelly to restore AFDC coverage for first time pregnant women.

We urge the subcommittee to apply to H.R. 2563 the Coalition's principles in judging any low-income program.

We oppose Administration efforts to: terminate the Work Incentive (WIN) program; and cap AFDC foster care program for needy children.

Mr. Chairman, members of the Subcommittee, I am Brenda L. Russell, Legislative Associate for the Child Welfare League of America. I am here today representing the Coalition on Block Grants and Human Needs. On behalf of the Coalition I would like to thank you for giving us the opportunity to appear before you today to provide our views on programs critical to low income people.

The Coalition appears before this Subcommittee with deep appreciation and respect, for we know that you have championed protections for our nation's most vulnerable populations. We are pleased that Chairman Ford has introduced, for the second year in a row, provisions which would reinstate some work incentives in the AFDC program and restore some of the funding for the Title XX Social Services Block Grant.

The Coalition on Block Grants and Human Needs is an alliance of over 100 national organizations which are deeply concerned about the devastating impact of cuts in funding and service delivery to America's poor and disadvantaged. Our members include many of the national religious groups, civil rights organizations, labor unions, groups representing poor people, disabled Americans, the elderly, children and their families, and other vulnerable groups.

Since 1981 the Coalition has focused on block grant proposals, means-tested entitlement programs, "new federalism" initiatives, and Federal budgets. The first two budgets under this Administration have been designed to reduce and eliminate federal support for dozens of programs crucial to the well-being of millions of Americans. Many members of the Coalition advocated that a fiscal year 1984 budget alleviate some of the human pain and suffering inflicted upon America's poor population. We are pleased budget increases allow for such improvements in AFDC and Title XX as are before the Subcommittee today.

Members of the Coalition are united by common commitment to four central principles in relation to program for the poor: Adequate federal funding for human needs and income maintenance programs; Federal Standards to insure that such funds are targeted to those people with greatest need; Federal enforcement of civil rights and other protections for Americans with special circumstances; and Federal guidelines to insure that local, state and federal agencies follow open democratic decision making processes and adhere to basic standards for public accountability including adequate recordkeeping, auditing and oversight.

In my testimony this afternoon I would like to first summarize effects of the past two years of cutbacks in the AFDC and Title XX Social Services programs. I will then address the proposals before your Subcommittee to remedy some of these negative effects.

EFFECTS OF CUTS IN AFDC

The one percent of the federal budget devoted to income maintenance for indigent mothers and children has been a controversial and often unpopular program ever since its inception nearly fifty years ago. The purpose of AFDC, according to Title IV-A of the Social Security Act, is for: "encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation . . . to maintain and strengthen family life and to help parents to attain or retain capability for the maximum self-support and personal independence . . ."

Negative stereotypes abound regarding AFDC recipients. In fact, children comprise over two-thirds of those receiving assistance. Large AFDC families are the exception. Over two-thirds of the families have fewer than three children. Only 1 percent of recipients are adult males. Among the women participants, four out of ten are caring for pre-school children, three are in the labor force, in school or in training, one is disabled, and of the two not seeking work, one is over 45 or has never been employed.

Changes made in AFDC provisions with the passage of the Omnibus Budget and Reconciliation Act (OBRA) of 1981 made a grim situation even worse. Benefits have been cut by $1.5 billion a year. About 365,000 families were completely cut off, and another 260,000 families are receiving reduced benefits. In almost one-half of the states Medicaid coverage has ended with the loss of AFDC benefits; this has resulted in loss of coverage for 660,000 children.

While the Administration claims to be "pro-family" and "pro-work," the restrictive AFDC amendments contained in OBRA were targeted towards those parents working to help support their families. The cutbacks have most severely affected mothers working outside the home.

For example:

In South Carolina, whose AFDC payment level is $169 per month for a family of four, three revisions in the program (150% limit, earned income disregard limit, monthly reporting) have caused 2300 working families to be dropped off the rolls since November, 1982.

In thirteen states an AFDC mother of three earning $3000 loses all benefits after four months on the job. In another 13 states—California and New York among them—which together comprise one third of the nation's population, it does not pay for welfare recipients to work, due to the 4 month limit on earned income disregards.

In a recent study commissioned by the Department of Health and Human Services by the Research Triangle Institute, "Evaluation of the 1981 AFDC Amendments," it is claimed that the 1981 amendments achieved the desired results of reforming the AFDC program. The report says that the working poor beneficiaries cut from the program did not quit their jobs and return to the welfare rolls. Among other things, this report does not tell you what did happen to those families afterwards. How have they coped? Are the families still intact or have their children been placed in substitute care due to inadequate resources?

What this report does show is that given the choice, recipients strongly prefer work to welfare, even when there is little to minimal financial advantage. That this is the case in itself is not surprising given the strong work ethic in America. What is dismaying and unjust, however, is that in the face of record tax gains given to corporate, upper and middle income sectors under OBRA—$860 billion through 1988—working welfare recipients' benefits are "taxed away" by work disincentive provisions. Thus a strong willingness to work is rewarded by punitive measures, denying the working poor access to health care, adequate day care services, adequate nutrition and access to decent and affordable housing. Denial of these basic necessities clearly runs counter to the purpose of AFDC, which is to protect children and allow them to remain with their own families.

The Coalition opposed the elimination of work incentive provisions in the AFDC program. Not only are they unjust, but we do not believe that the budget should be balanced on the backs of the poor. We question whether even the goal of saving the federal government money has been accomplished with such punitive provisions.

A May 19, 1983 New York Times article by Tom Joe, Director of the Center for the Study of Social Policy, and Jack Meyer, Resident Fellow in Economics at the American Enterprise Institute, sums it up this way:

"This Administration wants to convince taxpayers that it is in the national interest to reduce public assistance benefits to low-income workers. Simple arithmetic does not support its argument. For example, if 10 working families each getting $30 per month in supplemental AFDC benefits are cut from the rolls and only one

comes back on a full grant cost of $300 a month (about the median AFDC benefit for a family of three in 1982), the cost of supporting this one household offsets the saving achieved at the expense of the many people who keep plugging at their jobs."

The following chart shows the maximum AFDC benefit level for a family of four and the percentage increase or decrease in constant dollars from 1970 to 1983 for Subcommittee member states, as taken from the Subcommittee's February, 1983 "Background Materials" book:

State	Maximum benefit	Percent change
Tennessee	$154	−50
California	601	+15
Ohio	327	−31
Texas	140	−67
Georgia	229	−27
Connecticut	599	−23
South Carolina	169	−31
Louisiana	234	−9
Minnesota	520	−27

As you can see from this brief chart AFDC families in general have had an increasingly difficult time over the years. Besides the strong American work ethic, erosion in the ability to provide even the most basic necessities in life for one's children is a strong incentive to secure work, even for the low-skilled or uneducated.

RECOMMENDATIONS FOR AFDC

The Coalition supports Chairman Ford's bill, H.R. 2354. The reinstatement of earned income disregards encourages people who have limited skills or who can only find low paying jobs to work. If a person has a job, the earned income disregards, coverage of day care expenses for young children, and related work expenses, encourages them to keep their jobs. If a person is on assistance and is offered a job, it encourages her to take the job. She would hesitate to go off AFDC and take the job if that meant loss of health coverage, high day care costs, and work related expenses which would eat into limited salaries. The current lack of work incentives, in fact, promotes such disincentives. We endorse public policies and legislation such as the Ford bill which encourages people to work.

We recommend that the child care expenses be deducted last when calculating AFDC eligibility and benefits which is a provision in Mr. Stark's bill. If the day care expenses are not deducted in this way, families who have equal earned income but pay their child care directly receive less from earned income work incentives than those who receive Title XX Day Care or have day care provided at no cost through friends or relatives. We recommend use of this formula that provides the income disregards in a way that is equitable for all and that is the most economically advantageous for all. In addition, we believe that the actual cost of child care should be allowed or at least increased to $200 per month per child.

Although we have not seen the actual legislative language, we wholeheartedly support the effort being sponsored by Congresswoman Kennelly to restore AFDC coverage to first time pregnant women. In order for a woman to produce a sound and healthy baby she must have her own survival needs met. Without adequate nutrition, housing and regular pre-natal care provided to a pregnant woman, the chance of delivering a healthy baby are slim at best. Also, the ability of a pregnant woman to obtain gainful employment sufficient to meet her special needs is questionable. The amendments emphasizes cost-effective measures, as compared to the cost of neo-natal care for an infant denied the ability to develop properly because the mother was denied necessary benefits.

We have not seen the actual legislation being proposed by Rep. Stark. However, the concepts which appear to be embodied in the following provisions listed in the bill's summary are ones in which we would be in agreement. We would be happy to provide Rep. Stark with additional comments after reviewing the legislation. We support the following provisions:

Disregarding the earned income tax credit (EITC) as countable AFDC income, whether a family actually receives it or not. This practice ignores the reality of the situation and is unfair to the clients. Employers are not required to assist recipients in obtaining EITC on a regular basis in their pay. Many clients are only able to

work for short periods of time at a job and many have several different employers in a single year.

Calculating the day care costs last which, as we mentioned earlier, will help to provide a more equitable way to provide coverage of day care expenses.

Extending AFDC coverage to a high school student until the age of 20 which would encourage students to finish their education in order that they might become gainfully employed and help break the cycle of poverty.

Eliminating the work or training registration requirement for women in their third trimester of pregnancy, which has been shown to be punitive and short-sighted.

Making AFDC monthly reporting and retrospective budgeting (MMRB) a state option and allowing a federal match for supplements under state MMRB systems when the state cannot respond promptly to immediate needs, which would allow states more flexibility in both meeting the immediate and unforeseen needs of families served and in assisting the state agency to carry out their fiscal responsibilities in a more appropriate manner.

Permitting states to recalculate the ineligibility period regarding lump sum income to families, which would allow states to deal with changed circumstances in a family that increases its financial need.

Allow states to reimburse the AFDC recipient directly for transportation and day care expenses that are directly related to community work experience program participation. This provision recognizes that support services are necessary to enable recipients to work. We believe that the best way to assist clients into the work force is through the Work Incentive program (WIN). WIN provides for a range of supportive services and job training opportunities. Naturally, we oppose the Administration's proposal to eliminate the WIN program. Instead we suggest it should be strengthened in this time of high unemployment.

Allow states to forego recoupment of overpayments when it can be reasonably assumed that the cost to collect will equal or exceed the overpayment amount.

The Coalition opposes the Administration proposal to eliminate the individual entitlement program for AFDC foster care children. This program should remain intact to care for at risk AFDC children who cannot remain with their own families and require substitute care.

EFFECTS OF CUTS IN TITLE XX SOCIAL SERVICES

Title XX is the major Federal funding source for the full range of social services as determined by the states. Originally created as a $2.5 billion capped entitlement program to the states in 1974, services were to be directed toward five broad goals, including preventing or remedying neglect, abuse or exploitation of children and preserving or reuniting families. Title XX provisions contained in Public Law 96-272 provided for annual incremental increases in the funding level through 1985. By fiscal year 1984 the ceiling would have been $3.2 billion plus $75 million in training funds and $16.1 million in social service funds to the territories. Unfortunately, Title XX was amended by OBRA, slashing funding by almost $700 million, folding in the separate training program and the services funds to the territories, deleting most of the programmatic provisions, and dramatically reducing future funding levels as well.

According to a study released by the Coalition, "New Federalism or Old Hoax?: Block Grants in fiscal year 1982," the following changes have occurred:

At least 33 states raised fees and/or restricted eligibility for social services. Many curtailed or eliminated child day care licensing requirements leading to deaths in fires in Maine and an increase in child abuse throughout the nation.

To underscore the importance of social services and its severe underfunding, 25 states transferred funds from low-income energy assistance into social services.

Only five of the 87 counties in Minnesota are providing free day care this fiscal year, with the sliding scale fees implemented in most counties;

Nearly 60,000 fewer clients were served in Alabama by social services programs in 1982 than in 1980;

A study by Evergreen Legal Services in Washington State shows families going without food and medical care in order to pay social services fee;

Native American programs were disportionately cut in some Southwestern states;

Counties determine the use of social services funds in Iowa. People are moving from one county to another in order to continue receiving assistance which has been terminated by their local jurisdictions.

We oppose the Administration's efforts to further decrease federal support for the Title XX Social Services program.

RECOMMENDATION FOR TITLE XX SOCIAL SERVICES

Title II of Chairman Ford's bill would partially restore federal funds for Social Services by raising the ceiling $300 million to $2.8 billion for fiscal year 1984. The fiscal year 1984 budget specifically allows for an increase of $300 million for this important program, which was funded in fiscal 1981 at $2.9 billion. H.R. 2354 also provides for future increase in the Social Services ceiling of $2.9 billion in fiscal 1985 and $3 billion in fiscal 1986. The Coalition fully supports such efforts to increase this comprehensive human services program.

DEMONSTRATION PROJECTS AND TEMPORARY SHELTER PROPOSAL

Both Mr. Stark's bill and Mr. Campbell's bill, H.R. 2563, "The Integration of Human Services", would establish demonstration and/or pilot projects in certain states to study certain programmatic approaches in the AFDC program. These include the use of common definitions for AFDC, Medicaid and food stamps, and integration of services to improve the delivery of human services. We will not comment on the particulars of these or other proposed demonstration projects for AFDC. Rather we prefer to focus our comments on the question of fairness and equity. We believe this could be achieved through the application of the Coalition's four principles to the philosophy and design of all demonstration projects serving the poor. These principles should also be applied to the programs which would be developed under Mr. Stark's proposal to establish temporary shelters for homeless individuals as well as families and women who have been battered and their dependent children (the principles are listed at the beginning of the testimony).

In closing, we ask the Subcommittee to keep these guildelines in mind as it carries out its responsibilities in designing and authorizing programs which assist the most vulnerable members of our society in achieving income security, one of the basic human needs. We thank you for the opportunity to share our concerns with you today. We are available to work with the Subcommittee as it countinues to develop this legislation.

Chairman FORD. Thank you very much; $2.4 billion for this program was adequate to meet the needs of the program. Mrs. Ross testified earlier to that effect. And I am glad to hear your testimony that those funds are needed to restore the program.

MaryLee Allen.

STATEMENT OF MARYLEE ALLEN, DIRECTOR, CHILD WELFARE AND MENTAL HEALTH, CHILDREN'S DEFENSE FUND

Ms. ALLEN. Mr. Chairman, I am MaryLee Allen, director of child welfare and mental health at the children's defense fund. CDF appreciates the opportunity to testify this afternoon as you consider several bills to amend the AFDC program, the social services block grant, and the title IV-E foster care program.

As you know, CDF has been extremely concerned that poor, sick, handicapped and abused children and their families have borne the brunt of the budget decisions of the past 2 years as they have affected these and other key children's programs.

CDF has appreciated the leadership taken by this subcommittee in the past in redirecting harmful budget proposals. We are back before you today not only to ask you to continue to oppose additional budget cuts in AFDC, the social services block grant and the child welfare programs, but to urge you as well to report out immediately a number of the positive proposals before you.

We believe that the provisions in H.R. 2354, several of the provisions in H.R. 3512, and the provision to extend AFDC coverage for first-time pregnant women, go a long way toward beginning to repair the holes in the safety net caused by the unfair budget policies of the last 2 years.

More specifically, we ask the subcommittee to take immediate action in each of three areas which are described in more detail in our written statement, which I ask be submitted for the record. In our written statement, we also go into detail about concerns we have about some of the provisions in H.R. 3512, and make a number of comments on H.R. 2563.

What I would like to do very briefly this afternoon, or is it this evening, is to review the three areas where we would like to see immediate action taken.

First, we ask that you act to restore the work incentives in the AFDC program by enacting the relevant provisions in H.R. 2354, and altering the order of the child care disregard as proposed in H.R. 3512. We believe that the families, including 700,000 children, who have been cut from AFDC as a result of changes in the work disregard, are continuing to work and survive without it. However, we believe that in many instances they are doing so at a tremendous price.

We worry about the long-term costs to families if their children's health problems go unattended, if they don't have access to quality child care, or if the daily pressures of living result in abusive behavior. We are concerned, too, that the increasing numbers of families who have had to depend on the AFDC child care disregard are being penalized and denied the full benefit of the program's one-third disregard.

Second, we ask you to restore to States three options they had prior to OBRA to extend AFDC benefits to particularly needy populations. The requirements for mandatory retrospective budgeting and monthly reporting imposed by OBRA erect barriers to giving aid promptly to needy children. Making them optional and providing Federal matching for supplementation, as outlined in H.R. 3512, will allow States to better meet the current needs of families struggling to survive.

Another provision in H.R. 3512 would allow students to continue to receive AFDC through age 20. This would allow the 17 States that had previously done so, and possibly others, to help youth in poor families, who are often two to three grades behind their non-poor counterparts, graduate from high school rather than dropping out at age 17 to try to find work.

We also ask that you restore for States the option to claim Federal reimbursement for AFDC benefits for a woman with no other children from the point her pregnancy is medically verified rather than only from the sixth month, as has been the case since OBRA. Over half of the 31 States that prior to OBRA had been providing AFDC coverage for women with no other children, restricted the extent of that coverage after the availability of Federal reimbursement was restricted. In a number of these States, costs for care of these women have been transferred to State-financed general assistance rolls.

As a third step, we urge you to increase the authorization for the title XX social services block grant from $2.5 billion to $2.8 billion for fiscal year 1984, as is proposed in H.R. 2354. This increase will help States address the overwhelming demand being made on protective services departments around the country. It will also allow agencies to better meet the child care needs of working families—

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and hopefully reduce the number of very young children being left home alone or on playgrounds for several hours each day after school. Toward this same goal, we echo the recommendations you have already heard today for your support in maintaining the title IV-E foster care program and continuing the right of voluntarily placed children for those benefits.

As I mentioned earlier, CDF believes that these three, admittedly big, steps will go a long way toward beginning to repair the holes in the safety net for children.

We are grateful for your past leadership on behalf of poor, neglected and homeless children, and look forward to your continuing support on their behalf.

Thank you.

[The prepared statement follows:]

STATEMENT OF MARYLEE ALLEN, DIRECTOR, CHILD WELFARE AND MENTAL HEALTH, CHILDREN'S DEFENSE FUND

SUMMARY

The Children's Defense Fund is extremely concerned that poor, sick, handicapped, abused and neglected children and their families have borne the brunt of the unfair budget decisions of the past two years and that they are further jeopardized by the Administration's fiscal year 1984 budget proposals for further changes in key children's programs.

Cuts in the means tested entitlement programs—AFDC, Medicaid and Food Stamps, have had a particularly severe impact on needy children. Further, cutbacks in basic social service programs, including child care, have left struggling families with no place to go for help. Some have had to resort to foster care for their children. Preventive services, so crucial to avoiding dependency and long range costs, have been virtually eliminated in many states.

We urge the Public Assistance and Unemployment Compensation Subcommittee, which rejected a number of cuts in children's programs last year, not only to continue to oppose further reductions in AFDC, the Social Services Block Grant, and the child welfare programs, but to go even further to begin to redress the harms of the past two years by reporting out a number of the positive proposals before it.

Specifically, we recommend that the Subcommittee:

Restore the work incentives in the AFDC Program by eliminating the gross income cap on AFDC eligibility, the four month limitation on the $30 and ⅓ disregard, and the $75 cap on the work expense deduction; and altering the order of the child care disregard;

Make monthly reporting and retrospective budgeting optional rather than mandatory;

Restore for states the option of extending AFDC coverage for first time pregnant women from earlier than the sixth month, and for students through age 20;

Raise the authorization ceiling for the Social Services Block Grant from $2.5 billion to $2.8 billion for fiscal year 1984; and

Maintain intact the Adoption Assistance and Child Welfare Act of 1981 (Public Law 96-272), and permanently authorize the extension of benefits for otherwise eligible children voluntarily placed in foster care by their parents.

These changes will go a long way toward beginning to repair the holes in the safety net for children.

STATEMENT

Mr. Chairman and Members of the Subcommittee, the Children's Defense Fund (CDF) greatly appreciates the opportunity to appear before you today as you consider several bills that amend the AFDC Program, the Social Services Block Grant, and the Title IV-E Foster Care Program.

The Children's Defense Fund (CDF) is a national public charity created in 1973 to provide a systematic voice to improve the lives of children and place their needs higher on our nation's public policy agenda. CDF has issued a number of reports on major problems facing large numbers of children in the areas of child welfare, child health, child mental health, child care, and education. In each instance, we have not

only documented the problems, but have sought to develop a careful and responsible agenda for reform that would help redirect public policies and public funds in a more effective fashion.

Earlier this year CDF prepared a report on the impact of the $9 billion in cuts from federal programs for poor children and families that occurred in fiscal year 1982 and fiscal year 1983, and the anticipated impact of the additional $3.5 billion in cuts proposed by the Administration for fiscal year 1984. Two years ago, in collaboration with the Association of Junior Leagues, CDF also instituted Child Watch, a program to monitor the impact of federal budget cuts on our neediest children and families in local communities. Child Watch projects, involving nearly 1,000 volunteers, are underway now in over 100 communities in 39 states, including all of the states represented on the Subcommittee.

The results of these various monitoring efforts bring us before you today to oppose further cuts in several major federal progrms affecting poor children—AFDC, the Social Services Block Grant, and the Child Welfare and Foster Care Programs.

CDF recognizes the extremely difficult task faced by Congress and the Ways and Means Committee specifically, in attempting to shape the federal budget not only for the 1984 fiscal year, but for future years as well. We all acknowledge the severe limits of federal resources, and the fierce competition for already scarce dollars. But we must also acknowledge that critical choices can and must be made this year, choices immediately affecting the lives of millions, and affecting the future health, economy and security of our very nation.

The consequences of your budget and programmatic choices are enormous and cannot be underestimated. A review of the impact of recent budget actions highlights the importance of thoughtful and sound decisionmaking by the Congress in this year's budget debate.

The budget policies of this Administration and the 97th Congress have created pain and suffering for millions of Americans. Children—the promise of our future—have been especially hurt as more than $9 billion has been cut from programs supporting them and their low income parents. The results are devastating:

2.5 million more children live in poverty today than two years ago.

1.5 million children have lost at least some of the critical support provided through the AFDC program. Most of these children have also lost Medicaid.

All 50 states have reduced their Medicaid program for mothers and children.

Over 200,000 children and mothers have lost preventive Maternal and Child Health Services.

One million people, many of them children have had their Food Stamps eliminated and about 4 million have had their benefits reduced.

1.1 million low income children have lost free and reduced-price lunches.

One third of Americans are children, and yet more children now live in poverty than any other age group in this country, and the poverty rate for children is climbing. The incidence and severity of child abuse is found to be on the rise and in some urban areas of the country the infant mortaility rate has also begun to rise for the first time in decades.

The harmful effects of a budget strategy that hurts children must cease. CDF has looked to this Subcommittee in the past for leadership in redirecting harmful budget proposals. We are back before you today not only to ask you to continue to oppose additional budget cuts in AFDC, the Social Services Block Grant, and the child welfare programs, but to urge you as well to report out a number of the positive proposals before you. We believe that the provisions in H.R. 2354, several of the provisions in H.R. 3512, and the provision to extend AFDC coverage for fist time pregnant women prior to the sixth month addressed in H.R. 3574, go a long way toward beginning to repair the holes in the safety net caused by the unfair budget policies of the last two years. We see an immediate need for the enactment of provisions to restore work incentives to AFDC recipients; to to restore for states the option of extending AFDC to certain students and pregnant women; to prevent families from being unfairly denied benefits because of mandated monthly reporting and retrospective budgeting; and to allow agencies to meet the needs of children and families for child care and other services by increasing the authorization for the Social Services Block Grant.

Our specific proposals for reforms in the AFDC Program, the Social Services Block Grant, and the Child Welfare Services and Foster Care Programs, as well as our justifications for such changes, are discussed in more detail in the following sections. We also raise some concerns about specific provisions in H.R. 3512 and H.R. 2563.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

The almost eight million children dependent upon the AFDC Program for survival, over half of whom are under eight years old, are desperately needy and have already been severely hurt by the AFDC program's failure to keep up with inflation.

AFDC recipients get no automatic cost of living increases and state AFDC payments have generally not kept pace with inflation. In fact, the Congressional Budget Office, in the AFDC cost projections it gives the Ways and Means Committee, assumes that only one half of the impact of inflation is covered by states.

AFDC benefits in 33 states increased less than 40 percent between 1975 and 1981. Although 29 states increased the maximum grant for three-person families between January 1981 and January 1983, there were only seven states where the increase equalled the increase in the consumer price index of 12.5 percent. Further as of January 1983, in 36 states even the combined AFDC and food stamp benefit level for a family of three was less than 75 percent of the 1983 poverty level. The combined level exceeded 90 percent of the poverty level in only four states. A mother with two children still receives only $96 per month in AFDC in Mississippi, and only $117 and $127 per month in Texas and Tennessee respectively.

Many of these truly needy children and their families have been severely hurt by the budget cuts and program changes of the past two years.

First, the Omnibus Budget Reconiliation Act of 1981 (OBRA) slashed the $7 billion federal AFDC program by slightly over $1 billion for fiscal year 1982. Combined with a resulting loss in state matching funds, this constitutes a total AFDC cut of almost $2 billion. Then the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) cut federal expenditures for AFDC by an additional $85 million for fiscal year 1983. Each of these deep cuts in funding carried with it fundamental and permanent changes in the underlying AFDC statute. The Congressional Budget Office estimates that OBRA and TEFRA reduced federal funding for AFDC and Child Support Enforcement by $6.10 billion for fiscal year 1982 through fiscal year 1986, which means reductions in total benefits of as much as twice that amount.

The impact of the AFDC cuts on poor working mothers and their children was staggering. Nationally, state welfare officials estimated that 725,000 families, including 1,450,000 children, lost AFDC eligibility or had their grants reduced due to fiscal year 1982 changes in federal law alone. And the effects of the fiscal year 1983 cuts have yet to be fully assessed. Although the greatest impact was on working families, a study by the Center for the Study of Social Policy indicates that even AFDC recipients with no earnings, the "truly needy," lost an average of $27 per month nationwide as a result of the OBRA and TEFRA changes.

Very simply, families who lost AFDC or whose benefits were reduced because of the new restrictions on earned income cannot make ends meet. They are going without basic necessities:

In New Jersey, a survey of recipients who lost AFDC found that nearly 40 percent of the families had times when they did not have enough to eat; 20 percent could not afford warm clothes for their children in the winter; 40 percent had parents with medical problems they could not get treatment for.

In Maryland, a state survey found that 68 percent of terminated recipients had trouble paying for food and medical care. Over 45 percent had trouble paying for rent, heat, and utilities, and 39 percent had to take food or money from friends and relatives to survive. Thirty-one percent had to change their child care arrangements.

In twenty-two states, loss of AFDC meant loss of Medicaid benefits as well. Even in the other states which offer "medically needy" programs for families outside of the AFDC program, the benefits available are often more restrictive than those available for a family receiving AFDC. In Tennessee, for example, the state will pay for visits to a doctor by a sick child who receives AFDC, but generally will not pay for such visits if the child is enrolled in the "medically needy" program. Private health insurance plans offered by employers will not pick up the slack for the vast majority of working families who lose AFDC. Only 27.4 percent of families reporting AFDC or other public assistance income also reported coverage of any household members by group health insurance. And even this often means that the worker is covered but his family is not.

Consider the impact of the AFDC cuts on just one mother:

One Marine mother continued to work after losing her AFDC supplement of $180 a month. But she could make ends meet only by cutting out essentials. From a take-home pay of $376 a month, she had to pay $120 a month in day care costs and $200 a month for shelter. She received $75 in food stamps, which supplied food for herself and her child for two weeks.

She stated: "By use of simple arithmetic, I figure I have a whopping $56 a month to buy food for the rest of the month as well as to cover [clothing, laundry, transportation, and medical costs]. I am badly in need of dental work, my daughter needs new shoes, but there is no money left for these things. And I know of women who are in situations worse than mine—who have more children than I do, who pay more rent, who are not able to stretch their food stamps and pennies as far as I can, whose children have their only real meal at noon at the day care center or the babysitter's."

Considerable attention has been given in the last seveal months to recent research findings that families cut from AFDC as a result of OBRA's work-related changes did not return to the AFDC rolls within one year. However, we believe, in view of unmet needs like those described above, that such attention has been misdirected.

Too little attention has been directed toward the consequences for the well-being of families who have been cut from AFDC. How have they been able to survive? At what price are these mothers continuing at their often minimum wage jobs? What will be the long term costs to these families if their children's health problems go unattended, or the stress of daily living culminates in abusive behavior? The data above gives us a sense of how rough it is. And the recent study by the Research Triangle Institute itself documented that almost half of the families surveyed are struggling without health insurance of any kind and many are often dependent upon relatives and neighbors for child care.

Similarly, the costs for these families to stay off of AFDC, not only in human terms, but in terms of expenditures for state and local social welfare programs, also needs further attention. Preliminary reports, for example, indicate that increases in General Assistance Programs in Ohio, Pennsylvania and New York could be attributed to transfers from the AFDC Program.

Certainly if offsets against emergency food pantries and other social services were possible, the total costs would be significant. Reports from Child Watch Projects in 39 states paint a dismal picture of families exhausting their resources and turning in despair to community agencies. Increases in requests for cash assistance, food, clothing, and utilities was a consistent theme throughout the Child Watch projects which have been established in a number of local communities.

Despite such findings, the Administration is now proposing to cut the AFDC program another $732 million for fiscal year 1984, or an additional $2.5 billion through fiscal year 1986.

With one exception the Administration's fiscal year 1984 AFDC proposals are those that were considered by the Congress last year and rejected as too punitive or harmful to children and families, or were made optional for the states. Many of the AFDC changes proposed for fiscal year 1984 strike at the poorest of the poor, those relying solely on their AFDC grant for subsistence.

One of the major proposals, for example, would penalize families who are sharing housing with others in order to conserve limited resources and survive on their already inadequate AFDC grants. The proposal would require that reduced benefits be paid whenever there is a person living in a household with the AFDC unit, whether or not that person has any income of his or her own and is contributing it to the unit. While TEFRA allowed states to prorate the allowance for shelter and utilities, no state has, as yet, opted for such a provision.

Data show that AFDC families typically share housing with other individuals who either do not have income or whose income is so limited that they, too, are forced to share housing to survive. According to the latest published HHS data, 1.4 million AFDC families share living quarters with people not included in their AFDC grant. Almost half of these families share living quarters with children who are included in the grant (for example, disabled children receiving Supplemental Security Income or children still in school but too old to receive AFDC); 28 percent share housing with adults who are themselves dependent on public assistance. Yet the Administration estimates federal savings in fiscal year 1984 alone of $229 million, an assumed benefit reduction to these poor families of over $400 million.

Benefit reductions that will result from this and the other changes proposed for fiscal year 1984 will continue to jeopardize thousands of poor children. Therefore, we urge this Subcommittee to act now, as you did last year, to reject any further cuts in the AFDC Program which addresses the most basic survival needs of our most vunerable citizens.

We also ask that you take a number of positive steps forward to help the over 725,000 poor working families who lost their AFDC eligibility or had their grants reduced as a result of the fiscal year 1982 changes in the program, as well as many other poor women and children who have been denied the basic subsistence AFDC

provides. The reforms included in H.R. 2354 and a number of the provisions in H.R. 3512, together with restoration of federal reimbursement for AFDC for first time pregnant women in the first five months of pregnancy, in our view, will begin to address many of the harms inflicted by the hastily imposed and ill-conceived AFDC cuts in 1981. A number of the provisions that we strongly support, and several of our concerns about specific provisions in H.R. 3512, are set forth below.

H.R. 2354

We urge the Subcommittee to report out the AFDC provisions in H.R. 2354 which restore the work incentives in the AFDC Program by eliminating the gross income cap on AFDC eligibility, the four-month limitation on the $30 and ⅓ disregard, and the $75 cap on the work expense deduction.

1. Eliminating the cap on AFDC eligibility set at 150 percent of the state need standard.—OBRA limited AFDC eligibility to families whose gross income, less child care and other work-related expenses, up to a maximum, did not exceed 150 percent of their state's standard of need. The 150 percent limit cut many poor working families off AFDC entirely. As of February 1982, every state's standard of need, and in 37 states 150 percent of the standard of need, fell below federal poverty guidelines. In ver 30 states 150 percent of the standard of need was less than the monthly minimum wage for a 40 hour week. For example, a family of four in West Virginia with countable income of $498 per month (64 percent of federal poverty guidelines) would lose even a partial AFDC grant because of the 150 percent cap. In Texas, a family of three with an annual income of $3,025 would be ineligible for AFDC. Yet in Texas, loss of AFDC also means automatic loss of medical assistance. Although some states did raise their need standards in order to allow working recipients to be eligible for AFDC, many more did not.

2. Restoring the work incentive disregards by eliminating the four month limitation on the $30 and ⅓ disregard and changing the order for applying the disregards.—State welfare administrators projected that the OBRA changes in the work incentive disregards accounted for 26 percent of all AFDC cases closed due to OBRA changes and for 46 percent of all cases whose benefits were reduced. Eliminating the $30 and ⅓ disregards after four months discourages recipients from working. In fact, parents with high work-related expenses and child care costs are in some states worse off than if they were not working at all. Some states, Wisconsin and Utah for example, have reported that their AFDC costs have increased due to the loss of the disregard after four months. Data from Wisconsin show that over 50 percent of the cases terminated due to the loss of the $30 and ⅓ disregard are back on AFDC within two and one-half to three and one-half months, and many of them have reduced earnings and consequently are receiving larger grants.

3. Raising the maximum amount of allowable work expense deductions.—We also support increasing from $75 per month to 20 percent of gross earnings (up to a maximum of $175 per month) the amount of work-related expenses that can be subtracted from earned income in calculating a family's AFDC eligibility and benefit levels. The arbitrary limit imposed on the work expense deduction in 1981 is inadequate. The $75 maximum is particularly inadequate if it is interpreted, as it has been by some courts, to include mandatory payroll deductions such as Social Security and federal taxes, as well as transportation, uniforms and small tools. In Maryland, for example, a mother with two children working full time at the minimum wage will have mandatory payroll deductions of $84.60 per month for federal, state and local taxes and FICA. Given the confusion surrounding application of the $75 work expense deduction, it is essential that the Subcommittee clarify the issue in H.R. 2354. H.R. 2354 should provide a work expense deduction that reflects the real costs of working and that allows the deduction of mandatory payroll items in addition to a percentage cap on work-related expenses. Otherwise, even the improved 20 percent cap will be inadequate to meet the actual cost of employment-related expenses.

H.R. 3512

We also support a number of the AFDC provisions in H.R. 3512 which address some of the additional hardships on mothers and children resulting from the AFDC program changes of the past two years. However, there are also several provisions in H.R. 3512 which we oppose, or raise questions about, because of the potential we believe they have for depriving children and families of benefits to which they are entitled.

The provisions described first below are those that we believe should be reported immediately by the Subcommittee.

1. Making AFDC monthly reporting and restrospective budgeting a state option and allowing federal matching for supplements.—The requirements for mandatory restrospective budgeting and monthly reporting imposed by OBRA erect barriers to giving aid promptly to needy children. Families experiencing a drastic or sudden decrease in income—from loss of a job due to illness, for example—must wait up to two months to have their grants reflect their dramatically increased need. Families practicularly hurt have been working families who have suffered a reduction in wages or loss of a job. In areas with a lot of seasonal unemployment, Cape May County, New Jersey, for example, great hardships were caused this past winter. Families were faced with eviction, utilities shutoffs, and hunger because their grants did not reflect increased need. Workers have also been negatively affected in months that have five weeks and result in increased income. The effect of the reported increase in income is not felt until three months later, well after the additional week of salary has been spent. Further, OBRA's bar to federal matching for supplemental payments caused states that had provided supplemental payments to help meet current needs to pull back.

Monthly reporting has resulted in the disqualification of thousands of recipients who were eligible for continuing benefits. Michigan alone reported that 19,300 cases were closed over five months due to recipients' failure to return the monthly reporting form. Many of these turned out to be families who were otherwise eligible for AFDC, and a large number were actually on the rolls again in three months. Washington State officials too estimated that 50 to 60 percent of the families terminated due to monthly reporting requirements were otherwise eligible. There are many valid reasons why a recipient cannot return a form within the short time provided: literacy problems, mail mixups, agency misdirection, or family disruption.

One Michigan mother of two lost her benefits because of the monthly reporting requirements. She filed her monthly report on time but accidentally dated it 1981 rather than 1982. Meanwhile, her six year old diabetic daughter was hospitalized with insulin shock. While the mother was staying at the hospital with her child, the form was returned with a notation that it was dated incorrectly. Although the mother then filed a corrected form, she lost her AFDC, Medicaid, and Food Stamps because she had "failed" to comply with monthly reporting requirements. With the help of a legal services paralegal, she finally got her benefits reinstated. The only reason for terminating her benefits was that her corrected form arrived after the deadline.

2. Disregarding child care costs last when calculating AFDC eligibility and benefits.—Altering the order of the child care disregard will adjust the inequity between working recipients with subsidized day care and working recipients who rely on the $160 disregard to compensate for their child care expenses. Because the child care disregard is presently subtracted before calculation of the one-third disregard, the one-third disregard of parents who pay for their own child care is lower than that of families who do not claim the $160 disregard. The effect of the present rule is unfair: of two working families with equal needs and incomes, the one left by the state agency to find IV-A disregard child care will have to up to $53.33 less (one third of $160) to live on each month than does the one provided child care under the Title XX Social Services Block Grant program. There is no logical or fair reason for this disparity.

Changing the order of the disregards will help many AFDC families negatively affected by the budget cuts of the past two years better be able to address their child care needs. Because of OBRA reductions in the Title XX Social Services Block Grant, over two thirds of the states have reduced the number of children receiving Title XX child care services. More AFDC families have had to depend on the $160 disregard to compensate for day care costs. Because of retrospective budgeting, which delays reimbursement for a family's child care costs, and because $160 is not a realistic figure for center-besed care in many large urban communities, day care directors have been a post-ORBA shift in day care patterns of working recipients.

A Michigan study, the sole formal analysis on post-ORBA child care patterns, reveals that one of the most significant changes is a decline in the use of center-based care and a corresponding increase in family day care usage. The number of employed AFDC recipients using center care dropped from 21.2 percent of the employed caseload to 5 percent from April, 1981 to April, 1982. These families have not only been penalized by being forced to choose different types of providers. They have been doubly penalized because their one-third disregard is reduced when they pay for day care directly. Reordering the application of earned income disregards will at least partially mitigate the harms suffered by these families, placing them on an equal income footing with families who receive subsidized care.

3. Allowing students in secondary schools or their equivalent to continue to receive AFDC through age 20.—The OBRA provision which limited a former state option of providing AFDC to students ages 18 to 21 to students through age 18 who are expected to complete high school or a vocational program by age 19 has had an extremely negative effect on students. Prior to this change at least 17 states had opted for AFDC coverage of students to age 21. In Ohio, twenty-nine percent of OBRA-related case reductions were the result of terminations of students who were older than new federal limitations. In Tennessee, 3,126 cases had their grants terminated or reduced when new OBRA age restrictions took effect.

Low-income children need AFDC assistance through age 20 to complete their schooling. They are already at an educational disadvantage and take longer to complete school than their more affluent peers. One out of every four 17-year-olds from families living in poverty is enrolled in grade ten or below, compared with one out of every ten children from non-poor families.

For many children, inclusion in their family's AFDC grant means the difference between being able to continue in school and dropping out to look for work. One mother graphically described the impact of being unable to get assistance for her high school aged son:

"My check was cut because my oldest son turned 18. But he has still got a year and a half to finish high school. He dropped out because he was looking for a job to help out. I can't afford to buy him clothes on what I get from my check as it is only $222.00 a month. And I want him to continue school and he wants to go back because he can't find work. If he could be kept on my state check until he graduates from high school he could find a good job and further his education."

Additional provisions in H.R. 3512, about which we have particular concerns, are described below.

1. Altering the treatment of non-recurring lump sum income.—The provision in H.R. 3512 that would increase state flexibility to shorten the period of ineligibility due to receipt of a lump sum payment addresses a serious need resulting from OBRA. The present statutory language does not give states adequate flexibility to help families who are in genuine need due to changed circumstances but whose need cannot be characterized as "life-threatening."

We are concerned, however, that the language suggested does not effectuate the intent of the provision. The provision gives states the option to shorten the period of ineligibility if there is a change in family income or composition (e.g., a child is born). Giving states the option to shorten ineligibility actually cuts back on current protections, since the Department of Health and Human Services (HHS) now recognizes that a child born during the period of ineligibility may apply for and receive assistance. 47 Fed. Reg. 5656, 2/5/82. Moreover, family composition and income may change so drastically that holding the family to the initial period of ineligibility in a state that does not opt to change it would violate the underlying precept of the AFDC program—that a family is only held responsible for income that is actually available. For example, a father who has recently received a disability settlement may leave the family, taking the lump sum with him. We strongly urge that H.R. 3512 mandate that states recalculate the period of ineligibility in any case where there are changes in family composition or income and give states the option to shorten ineligibility in a broad category of hardship cases that do not rise to the "life-threatening" level as well.

We are further concerned about the inclusion of language that specifically identifies certain items as lumb sums, including retroactive payments under Title II of the Social Security Act and retroactive insurance settlements. In some instances, inclusion of this income as a lump sum would be inappropriate and would badly distort the family's actual need. For example, a mother who receives a Title II lump sum on behalf of her child is obligated by 42 U.S.C. § 407 and implementing regulations to use those funds on behalf of her child. If the child is excluded from the AFDC grant, inclusion of the Title II lump sum under this provision would force the mother to violate her legal obligations toward the child.

Similarly, portions of a lump sum insurance settlement may not be actually available to meet the family's current need, and therefore should not operate to make the family ineligible: a family may have assigned its rights to at least a portion of the settlement in order to reimburse the state Medicaid agency; the settlement may be allotted to back medical bills; or portions of the settlement may be intended to meet a child's special needs caused by an accident, and therefore are not available to meet the family's living expenses. In answer to inquiries about whether states should treat as lump sums settlements earmarked for a certain purpose (such as compensation for loss of resources), HHS found that states have always been allowed to exclude such compensation so long as the money is used for the stated pur-

pose. 47 Fed. Reg. 5656. We therefore urge that the Subcommittee clarify that such income does not operate to make a family ineligible under the lump sum provision.

2. Allowing demonstrations in five states to test common AFDC, Medicaid and Food Stamp definitions and a common budgeting process.—Although in the abstract we favor the development of more uniform definitions, budgeting procedures, and eligibility requirements for the AFDC, Medicaid and Food Stamp programs, we are concerned that the implementation of the proposed demonstrations will be used to deny recipients benefits and procedural protections to which they are currrently entitled.

In the current atmosphere, virtually any administrative discretion is being used by HHS to cut benefits, frequently with the thinnest pretext of "research" purposes. The demonstrations therefore would be likely to wind up inappropriately using the worst common denominators from the three programs in every affected area. Massive injury to recipients could occur. H.R. 3512 currently has no adequate controls to stop this.

3. Allowing experiments that test alternatives to the existing AFDC-Unemployed Parent (AFDC-UP) Program.—We are seriously concerned about the provision allowing states to "experiment" with the AFDC-UP Program by cutting back on existing statutory minimum eligibility criteria and protections. This program is already woefully inadequate to meet the needs of destitute two-parent families. In 1981, there were 2,199,000 two-parent families who lived in poverty. By contrast, only 206,000 of these families received AFDC. The already truncated nature of AFDC-UP has long been recognized as a disincentive to family integrity.

It would be a cruel twist, when Congress is considering the health needs of unemployed intact families, to cut back further one of the few existing supports for unemployed two-parent families. Moreover, it is disingenuous to describe this retrenchment as an "experiment" designed to encourage increased use of the AFDC-UP option, when it potentially allows even states that currently provide AFDC-UP benefits to cut back on their programs. As presently worded, this provision limits participation to a state that "is not currently providing aid as provided in this section to families where the principal earner is unemployed." However, this language does not bar a state presently providing full AFDC-UP coverage from dropping its AFDC-UP program and subsequently adopting this option in order to limit state expenditures. This loophole defeats the aim of encouraging participation by states not presently offering an AFDC-UP option. At a minimum, the bill should further provide that states cannot take advantage of the experiment option if they were providing AFDC-UP coverage at any time in the calendar quarter prior to implementation, or upon enactment, of the provision.

Even with this added protection, however, we are concerned that allowing some states to provide a program with fewer protections may be an opening wedge, allowing states now providing full AFDC-UP benefits to seek statutory authorization to cut back. The specific components of this experiment—limiting benefits to six months, eliminating the $160 child care deduction, and imposing stricter work requirements—sacrifice important protections that should not be discarded from the underlying program.

Two-parent families come to AFDC-UP only because they have nowhere left to go. They are families who have a history of working—indeed, they must have such a history to satisfy eligibility requirements. If they are still in need after six months, it is because they have been unable to find an alternative in an economy with few jobs and despite strong existing work requirements in the AFDC statute. They therefore should be allowed benefits just as benefits are provided to similarly situated one-parent families.

We are equally troubled by the denial of child care reimbursement to AFDC-UP families. It is true that in some two-parent families, one adult may be able to provide child care. In others, however, one parent may be employed and the other may be out of the home because he or she is looking for work, or is required to participate in WIN, CWEP, or job search. Denying a child care deduction penalizes such two-parent families for trying to improve their situation and leaves children at risk because their parents cannot afford to pay for adequate care.

We are puzzled by the provision that states be allowed to impose stricter work requirements on AFDC-UP families. States are already allowed to do so. In some states, for example, CWEP participation is mandatory only for AFDC-UP families. And when an AFDC-UP parent is sanctioned for failure to comply with a work requirement, the entire family loses its grant (unlike a single-parent family, where only the non-cooperating parent loses assistance). If anything, AFDC-UP work provisions are already overly harsh, penalizing children for parental actions wholly beyond their control.

AFDC coverage for first time pregnant women

Today we are asking you to take one additional step not addressed in H.R. 2354 or H.R. 3512 to assist a particularly vulnerable population—pregnant women with no other children, and their unborn children. Before OBRA states had the option of providing federally matched AFDC benefits to pregnant women with no other children, and for the unborn child. States could choose to provide benefits as soon as the pregnancy was medically verified or at a later point in the pregnancy. States could choose to provide benefits for the unborn child as well. We are asking that you restore this option.

OBRA limited federal reimbursement for such benefits. It provided that federal reimbursement could not be claimed until the sixth month of the pregnancy. It also barred states from obtaining federal reimbursement for benefits paid on behalf of the unborn child. OBRA did extend to states the option of providing Medicaid to these pregnant women prior to the sixth month.

After OBRA, 20 states provide no AFDC coverage for women with no other children, ten of these do provide some Medicaid coverage. Over half of the 31 states that prior to October 1, 1981, had been providing AFDC coverage for women with no other children, restricted the extent of that coverage after the availability of federal reimbursement was restricted by OBRA. Fourteen of these, California, Hawaii, Kansas, Michigan, Montana, Nevada, New York, North Dakota, Pennsylvania, South Carolina, Utah, Vermont, Washington, and Wisconsin, were states that had previously provided coverage from the time the pregnancy was medically verified but after OBRA had restricted coverage to begin in the sixth month. Nine states also eliminated coverage of the unborn child. Pennsylvania totally eliminated AFDC coverage of first time pregnant women after OBRA. Massachusetts and Nebraska are continuing coverage with state funds from the point at which the pregnancy is medically verified. Maryland created a special new category in its general assistance program. Connecticut and other states have also seen caseloads transferred to the general assistance rolls.

The availability of AFDC for women pregnant for the first time, not only helps ensure the women have adequate nutrition and shelter and are able to purchase a crib and other supplies for the newborn, but we recognize that participation in AFDC is also associated with better prenatal care. Recipients are automatically eligible for Medicaid. Furthermore, the woman's AFDC benefit can be used to purchase vitamins, and cover certain physician's services and outpatient care that are being cut back in a number of states as a result of Medicaid cutbacks. AFDC participants are more likely to begin their prenatal care earlier and have more prenatal visits.

Good maternal nutrition during pregnancy is a well established factor associated with the health of the newborn. There is considerable evidence, for example, that the nutrition of the mother during pregnancy influences her weight gain, which has a direct relationship to infant birth weight. The adequency oif prenatal care is also related to infant birth weight. In turn, low birth weight infants have higher mortality rates and are more likely to suffer from physical and developmental complications. Low birth weight infants account for nearly ¾ of all neonatal deaths (under 28 weeks) in this country and they make up 50 percent of deaths in the first year of life. "Low Birth Weight Infants," Child Health Outcome Indicators, University of North Carolina—Child Health Outcomes Project, Department of Maternal and Child Health, School of Public Health, May 1983 Draft, p. 1; Select Panel for the Promotion of Child Health, Better Health for Our Children, Vol. I (1981), p. 143.

The timing as well as the nature of the prenatal care is significant. It is widely accepted that access to early and continuous prenatal care is crucial to birth outcome. It is sad therefore, that while the percentage of pregnant women who began prenatal care in the first trimester of pregnancy has been increasing steadily in this country, the Administration chose in 1981 to limit its AFDC coverage, and, thus for many, Medicaid coverage to the sixth month of the pregnancy.

In a number of cases postponing prenatal care to the sixth month of a pregnancy may well prove detrimental to the mother and as yet unborn child. It is also a cost-ineffective policy. According to the National Center for Health Statistics, every dollar spent on prenatal care saves four dollars in avoided hospital and medical expenses later in the child's life.

We urge this Subcommittee to restore for states the option to claim federal reimbursement for AFDC benefits for a woman with no other children from the point the pregnancy is medically verified rather than only from the sixth month, and for her unborn child. We hope that for the sake of the well-being of both the mothers and children that this will serve as an incentive to provide badly needed services and medical care.

Enactment of the changes in the AFDC Program described in this section will restore work incentives to many single women struggling to support their families, aid pregnant women with no other children, and represent a cost-effective investment in our nation's most vulnerable children.

CHILD WELFARE AND OTHER SOCIAL SERVICES

The families and children harmed by recent cutbacks in the means tested entitlement programs are jeopardized as well by cutbacks in the Title XX Social Services Block Grant and Title IV-B Child Welfare Services Program. These programs fund a range of services for families in crisis situations, abused and neglected children, and children in foster homes and residential treatment centers. In addition to protective services, the Social Services Block Grant also provides critical funding for child care for low-income working parents. The Title XX Program has long been the major source of direct federal support for child care.

These two crucial service programs have been severely impacted by the budget cuts of the past two years. Services have been reduced as a result of the 21 percent decrease in funding for the Social Services Block Grant and the maintenance of the Child Welfare Services Program at slightly below its FY 1981 funding level, at the same time that funding reductions in the key income support programs—AFDC, Medicaid, and Food Stamps, and increased pressures on families caused by the general decline of our economy have significantly increased the demand for child welfare and other social services.

We are pleased that the Subcommittee has rejected the Administration's proposal to cut funds under the Social Services Block Grant by 10.5 percent and to abolish the Community Services Block Grant and expect the range of services it provides—help to secure adequate housing, emergency assistance, and employment services—to be funded under the Social Services Block Grant. We also applaud your decision to reject the Administration's proposal to maintain the Title IV-B Child Welfare Services Program at $156.3 million for the Third year in a row, and to allow the services program to be used for training while eliminating the $4 million currently available through the Child Welfare Training Program. Similarly we urge you, as you have in the past, to reject the Administration's proposal to eliminate the entitlement nature of the federal foster care program authorized under Title IV-E of the Social Security Act.

But, as in the AFDC Program aleady discussed this afternoon, we also ask that you go further. To help begin to meet the overwhelming demand on social service agencies described below, and to allow agencies to better meet the needs of children and families for child care and other services, we urge you to increase the authorization for the Social Services Block Grant from $2.5 billion to $2.8 billion for FY 1984 as is proposed in H.R. 2354. $2.8 billion was the level included by the Senate in its version of the Emergency Assistance "Jobs Bill," and is only $75 million above the $225 million level finally provided to the states in that legislation. Without continued funding at a level above $2.5 billion, states will not be able to maintain the restorations in services they have begun to implement with the additional funds in the Jobs Bill.

Title IV-E

To enable child welfare systems across the country to best meet increased demands from troubled families, we also urge your continuing support for maintaining Public Law 96-272, The Adoption Assistance and Child Welfare Act of 1980, intact. Specifically, we urge you again not to cap the federal foster care program under Title IV-E of the Social Security Act. As Congress recognized in enacting Public Law 96-272, an arbitrary cap on funding for out-of-home care will seriously jeopardize children unless simultaneous efforts are made to ensure that services are in place to ensure appropriate alternatives to foster care. Certainly at a time when the Child Welfare Services Program, Social Services Block Grant, and the child abuse program are suffering from two years of cutbacks one cannot assume that services for alternatives to foster care are in place. Nor does it make sense to impose a cap based on fiscal year 1982 funding levels, as the Administration proposes, when communities are experiencing real increases in the numbers of children entering care.

We also urge the Subcommittee to report out the provision in H.R. 2354 that will permanently authorize federal matching funds for Title IV-E foster care for children voluntarily placed by their parents, provided various protections are available. CDF remembers well the careful scrutiny this Subcommittee gave the decision to expand federal reimbursement to voluntarily placed children when Public Law 96-272 was enacted three years ago. The Subcommittee was careful to include with the

expansion numerous protections to ensure that these children who entered care without court involvement, entered appropriately.

Public Law 96-272 requires that a voluntary placement be made pursuant to a written agreement that is binding on all parties and which specifies the legal status and rights and obligations of the parent, child, and agency. The voluntary placement agreement may be revoked upon the request of a parent, and the child must be returned to the parent upon request unless the agency obtains a judicial determination that return is contrary to the child's best interest. Further, the Act requires, as a condition for continued eligibility for federal reimbursement after 180 days in placement, that the case of a voluntarily placed child must be reviewed by a court and there must be a judicial determination that such placement is in the child's best interest. Public Law 96-272 also requires that federal reimbursement for voluntary placements be available only after the state has complied with the Act's requirements for an inventory and information system, and for case plans, semiannual reviews, dispositional hearings, and reunification and preventive service programs. Thus the number of states currently claiming reimbursement for these children is growing slowly.

By extending the benefits of the Title IV-E Program to certain children placed in child care voluntarily by their parents as well as to children placed by the court, the same protections and services are extended to both. Children placed voluntarily, for example, must have case plans, six month reviews, and be provided preventive and reunification services. By permanently authorizing federal reimburesement for voluntarily placed children under the Title IV-E Program, you are ensuring these children continued protections. Further you are imposing upon the voluntary placement process itself various safeguards to ensure that parents are not coerced into making such placements and inappropriately denied custody of their children.

Social services block grant

The restoration of funds for the Social Services Block Grant together with the maintenance of Public Law 96-272 will enable agencies to better respond to alarming reports of increases in child abuse and neglect; increased demands for foster care placement; and cutbacks in services to prevent family crises.

Consider just several examples.

A survey of child abuse specialists in all 50 states and the District of Columbia, conducted in the fall of 1982 by the National Committee for Prevention of Child Abuse, reported that 39 states had seen an increase in reported cases of abuse in the past year. Fifteen states said the number of confirmed reports was also increasing. Thirty three states reported seeing more serious abuse, and 14 states said they were seeing more deaths to abuse. Despite these figures, 32 states said there had been noticeable cutbacks in child abuse programs.

In Philadelphia, general protective service reports of children needing protective services in October 1982 were double those of a year earlier. Fifty percent of the 136 new reports in October were directly attributable to economic factors—families with no heat, food, or place to live. A year ago workers in Philadelphia were getting three to five new cases a week. Now they are getting ten. Intake, which formerly averaged 10 to 12 cases a day, is average 30 a day. Although the city has seen a 50 percent increase in cases over the past year, there are at least 20 fewer workers to meet the needs of children and their families.

Dakota County, Minnesota, a county with a relatively high per capita income, witnessed as 23 percent increase in the number of child abuse reports between November 1981 and November 1982, in part attributable to increased economic pressures on families. About one third of these reports, generally cases of more severe abuse than a year ago, prove serious enough to get subsequent services.

In Dallas, Texas, the county child welfare unit has experienced a 26 percent increase in the number of children in foster care in the county—from 380 to 480—over the past 15 months. The children entering care are suffering from more serious conditions—burns, multiple fractures, and head injuries. Twenty percent of the children being placed have been in the state for less than a year.

The increase in Title XX funds will also help to alleviate the negative impact that cuts in the Social Services Block Grant and the economy generally have had on the availability of quality child care across the country. A recently completed CDF survey of the impact of the Title XX cuts of the past two years on child care services in the states revealed that two thirds of the states have reduced their Title XX expenditures for child care and two thirds have reduced the number of children receving Title XX child care services since 1981. In a number of states protective service cases have had to compete with children of workng parents for limited child care slots. For example, although South Carolina had managed to hold the line on most

of its Title XX services, the increased demand for protective services forced state officials to implement a policy allowing children needing protective services to bump children of working parents out of child care programs. Officials who regret the need for such a policy say it has only been used four to five times in the past six months, and that an impact statement on the effect of any such bumps is required. Maintaining the program at its 1975 funding level of $2.5 billion will further intensify the need for these difficult choices and deny many children needed child care services.

Although Secretary Heckler herself has states, in testimony earlier this year, that the "availability of adequate day care is an essential element if welfare mothers or others with young children are to work," evidence from a number of states indicates that cutbacks in funding have severely diminished child care support for mothers who are working or are in training programs preparing them to work.

CDF's survey of Title XX child care policies in 36 states conducted earlier this year revealed that in the last two years seventeen states had restricted child care for mothers enrolled in training programs.

A June 1983 study of the effects of federal cuts and changes upon day care services in New York State, by the New York State Child Care Coordinating Council and Statewide Youth Advocacy, revealed that 12,000 fewer children will received day care purchased by local social services districts in New York State in fiscal year 1983 than in 1981. Although some of these children may receive day care purchased from their parents' welfare grant, claims under Title IV-A in the counties outside of New York City have dropped 76 percent. Working poor families have been the most seriously affected. Thirty-four of the 57 upstate counties offer no income eligible day care to working families above the welfare level. The report estimates conservatively that one-sixth of the children affected by the cuts are latchkey children.

Delaware cut its Title XX funds targeted to child care by 50 percent. Mothers who attend college or post-high school training programs beyond one year are no longer eligible for subsidized care. The number of children served dropped from an average of 2039 a month in fiscal year 1981 to 1260.

Kansas reduced its share of Title XX funds targeted to child care. It stiffened eligibility for child care by lowering the income limit from 80 to 65 percent of median income and instituted a policy denying child care to parents in school or training programs.

Pennsylvania lowered its eligibility criteria from 115 to 90 percent of the state median income imposed a $5 per week minimum fee for all families in fiscal year 1982. The number of children served went from about 24,000 in fiscal year 1981 to about 21,000 in fiscal year 1983.

Nashville, Tennessee's federal child care money was reduced from $1.3 million to $920,000, and as a result 150 children lost subsidized child care. A woman trying to move toward self-sufficiency talks about the effects of the cuts: "I had been working on my high school diploma for about a year and a half, and I was real close to going and taking that last test, but I had to quit because I didn't have nobody to keep my kids.

As a result of the reductions in services or imposition of fees, children are being left alone or have been switched to less familiar, and often less supportive, child care arrangements.

In 1981, 739 West Virginia families lost child care. Some 565 of these families responded to a questionnaire regarding their current child care arrangements. A total of 391 children had experienced some type of change in child care arrangements. At least 79 children were caring for themselves.

A Rhode Island child care center, located in a public housing project, had 22 childen enrolled last year. Five children remain. The director reports that some children are being cared for by teenaged high school dropouts; others she watches hanging out on the nearby playground.

In Pittsburgh, a combination of Pennsylvania policies—including tighter eligibility criteria and fees for services—resulted in over 200 children losing child care services, 10 percent of the total number being served. Some parents quit work. One parent commented, "I'm forced to leave my child in the care of an unlicensed babysitter whom I don't trust as much as the licensed day care provider." Another mother says, "My children are no longer with me because I couldn't find day care. The children are with their grandparents." Many older children have been forced to stay home from school to care for preschool brothers and sisters.

A report by the Citizens Committee for Children of New York revealed that in New York City, center teachers and directors are seeing newly ineligible and financially strapped parents resorting to substandard, unlicensed, and unsupervised day care. These directors report that no quality alternatives to public day care exist for

these families. "Day care available" signs have been seen in store fronts all over the Bushwick section of Brooklyn. Directors report that children are being crowded into unsuitable, unlicensed facilities that are both unsafe and illegal. Such arrangements are increasing.

In many states, increased demands for care have been accompanied by reductions in staff and services, thereby jeopardizing the quality of care available to abused, homeless, neglected, and disturbed children, as well as children of working parents. Despite valiant efforts, few states have been able to fill the gap left by federal cutbacks.

Even states that have tried to cushion the impact of federal cuts are facing grave difficulties. Title XX cuts in some states have exceeded 21 percent, because the federal government no longer requires that states contribute $1 for every $3 in federal funds and maintain key protective services for children. Over 25 states tried to absorb Title XX cuts in the first year by transferring funds to the Social Services Block Grant from the Low-Income Home Energy Assistance Block Grant. Others used funds freed up by changes in AFDC to bolster social services. Still others as you have just heard imposed or raised fees for services or limited those who could participate in the program. Several states, including California, Florida, and New Jersey, used funds that were available under the Title IV-B Child Welfare Services Program (to prevent placement and develop alternatives to foster care) to offset federal Title XX cuts and meet the demand for increased state funds. Services to prevent abuse have been almost eliminated. Only the most critical abuse cases are dealt with.

States will not be able to maintain indefinitely these stopgap measures to minimize what in many states is a federal funding cut of approximately 25 percent. Numerous state officials warn that additional cuts in federal dollars will make it impossible to meet the increasing demand for services. Thus increased funding for the Social Services Block Grant as proposed in H.R. 2354 and full funding for both the Child Welfare Service Program and Title IV-E Foster Care and Adoption Assistance Programs are essential.

H.R. 2563

Just as we applaud efforts to improve access to a range of human services programs through restorations in funding, we also applaud the concept set forth in H.R. 2563 to improve the delivery of services under the various human services programs by establishing integrated service delivery systems for those programs. Such pilot programs have the potential of easing the burden on poor children and families who must often travel far to obtain the various benefits to which they are entitled, and who too frequently do not have sufficient information to access all of the available services.

In CDF's various studies of the availability of health care, child care, child welfare, and mental health services for children and their families, we have repeatedly documented the lack of outreach and coordination of services for needly families. Certainly the establishment of a resources directory; the implementation of a unified budget, and unified planning, needs assessment, and evaluation; the establishment of interagency communication; and consolidation of agency sites and transportation will facilitate access to needed services.

However, we are concerned by the provisions in H.R. 2563 that would allow pilot sites to waive current requirements in the individual programs affecting an integrated service systems. Our particular concerns relate to the continuing access of those individuals currently eligible for the services, and to protections currently provided participants by the various programs.

Many of the various human services programs, AFDC, the Social Services Block Grant, the Child Welfare Services Program, and SSI, for example, include certain requirements addressing eligible recipients that we believe should be retained. Similarly program participants are ensured certain procedural protections, such as the right to notice of benefit reductions and fair hearings, that should continue to be preserved. We believe, however, that it is possible to deliver a variety of services from a common site without necessitating a change in individual program requirements.

At a minimum, if such waivers are needed they should be limited so as to ensure that no participant become ineligible for a benefit or procedural right they were eligible for prior to their participation in the demonstration. An effort should be made to prevent the lowest common denominators from the various programs from being used.

Similarly, we are concerned that the trial of co-location of service program in one site might lead to the closing of existing multiple sites for one of the co-located pro-

grams. We propose, therefore, that the Subcommittee clarify that where there are multiple program sites currently operating and only one is involved in the integration of services demonstration, that the other multiple sites should remain open.

The Children's Defense Fund believes that the harms imposed by the hastily imposed, ill-conceived budget cuts of the past two years must be addressed immediately. We therefore ask you not only to reject any further cuts in AFDC, the Social Services Block Grant, and the Child Welfare and Foster Care programs, but to enact minimal restorations in these programs as well. We applaud your continuing efforts to take the lead in protecting poor, neglected and homeless children and their families. We support many of the positive steps outlined in H.R. 2354 and H.R. 3512 and urge you to move quickly toward enactment of the provisions we have described today.

We share the feelings of Mrs. Evelyn Davis a grandmother of 13 and great grandmother of six who has worked for 25 years from early morning to late at night to provide quality child care and support services to low-income children and families in Des Moines, Iowa. Mrs. Davis has not only fought for decent child care for the children she has served, but also for employment opportunities for their parents to help lift them out of poverty. As she watches these families constantly struggle harder and harder, Mrs. Davis' comments must be heeded: "Time doesn't stand still, we're losing a whole generation of children." We ask you, as you have done in the past, to act now to help us protect our next generation of adults. It is your leadership and courage that is so vitally needed.

Thank you.

Chairman FORD. This subcommittee will have to work tirelessly to make sure that those funds are earmarked in the House and Senate resolution that has been adopted. I knew we would have to work very closely with the health subcommittee to see exactly what the health subcommittee would do as it related to those dollars.

The staff has also informed me that we are going to have to work hard and meet with the full committee chairman to discuss the social security disability dollars, the legislation that has been adopted in the Ways and Means Committee in the House.

Also, part of your statement here, I was going over it, Nashville, Tennessee's Federal child care money was reduced from $1.3 million to $920,000, and as a result 150 children lost subsidized child care. It talks about the effects of the budget cuts.

I am quoting this woman. She said: "I had been working on my high school diploma for about a year and a half, and I was real close to going and taking the last test, but I had to quit because I didn't have nobody to keep my kids."

Ms. ALLEN. CDF is just completing an update of a survey of the impact of the title XX cuts on child care. We have seen that almost half of the States, in an attempt to accommodate the cutbacks in the social services block grant, have restricted child care that used to be available to women in school and training programs. The situation described in our statement was the result of a particular policy that was implemented, as we understand it, in Tennessee, or at least in the Nashville area, that made women in training programs who were previously eligible for child care no longer eligible. The case described represents the impact of that particular provision.

Such an impact is somewhat of an irony, we feel, particularly in view of the fact that Secretary Heckler, in her testimony before the Senate Finance Committee, specifically addressed the need for child care to allow women to get the training that they need to work, as is the goal of the administration. But over half of the

States seem to have taken child care for women in school and training programs as one of the first categories to be cut back.

At this time, the committee would like to recognize Mr. John E. Hansan, executive director of the National Association of Social Workers.

Mr. HANSAN. With your permission, could Linda Wolf Jones go before I do before her voice goes?

STATEMENT OF LINDA R. WOLF JONES, SENIOR POLICY ANALYST FOR INCOME SECURITY, COMMUNITY SERVICE SOCIETY OF NEW YORK

Ms. JONES. My name is Linda Wolf Jones. I am the senior policy analyst for income security of the Community Service Society of New York.

The Community Service Society is one of the oldest and largest nonprofit, nonsectarian social agencies in the United States. Our concern for 135 years has been focused on the lives and living conditions of the urban disadvantaged. In that vein, we conduct direct service programs, work closely with community groups, and seek to shape public policy through legislative analysis and advocacy of preferred measures. We are grateful for this opportunity to testify on the public assistance proposals currently before your subcommittee. We will give you the highlights and ask that the full testimony go into the record.

Chairman FORD. Your full testimony will be made a part of the record.

Ms. JONES. CCS is strongly supportive of H.R. 2354. We believe that women who have taken on, single-handedly, the dual roles of caretaker and worker ought to be encouraged in their efforts. We were pleased to find that Mr. Stark's proposal also includes positive incentives for poor working mothers. On the other side, we feel equally strongly that the administration's policies on work and welfare, as seen in the Research Triangle Institute report and in the expansion of the workfare concept, are deleterious and potentially dangerous for poor women and families.

The issue, then, is whether we treat earned income disregards in the AFDC program as simply the carrot side of a carrot-stick spectrum, answering the question of how to motivate people to work, or whether we consider them as part of the answer of how to help parents provide their children with a minimally decent living standard. Work expense and work incentive disregards are not simply a reward—not when the median income of husband-wife families is over $22,000 and the median income of mother-only families is under $8,000; not when 20 percent of the children in this country are living in poverty; not when a single head-of-household on the average cannot and does not earn enough to support a family at even a lower level living standard as defined by the Bureau of Labor Statistics [BLS].

The recently issued Research Triangle Institute [RTI] report evaluating the 1981 AFDC amendments, in our estimation, validates our arguments better than any other document of its ilk so far. That report was commissioned by and produced for the U.S. Department of Health and Human Services. Shortly after its publi-

cation, Secretary Heckler was quoted as saying that it "establishes, beyond any question, that the Reagan welfare changes achieved equitable and fair results, and that none of the rhetorical charges made by critics had any basis in fact."

I don't know exactly what rhetorical charges she had in mind, but my interpretation of the findings of that report are somewhat different. Since the report was 175 pages long and was mostly comprised of lengthy discussions about statistical significance and descriptions of methodological approach, it is not surprising to me that some of its most pertinent facts have not received greater exposure. Certainly, the administration was not going to go around talking about them.

For instance, as the administration has pointed out, it is true that AFDC recipients with earnings did not reduce their work effort as a result of the OBRA income disregard changes. Instead, they increased it. The RTI survey showed that over 80 percent of the single mothers who lost their AFDC eligibility and benefits due to OBRA earned income related changes were working.

More than half of these single working mothers were putting in 40 or more hours per week at their jobs in addition to maintaining, by themselves, a home and family. One-quarter of them earned $3.50 or less per hour. The report did not provide any further breakdown of that figure; it would be interesting to know how many of these women were actually working for less than the $3.35 per hour minimum wage. Another quarter were earning between $3.50 and $4.25 per hour at their jobs.

Let me put a more human face on those data. In 1981, the median family income in the United States, as I mentioned earlier, was $22,000 plus; the BLS lower level budget for a family of four was $14,000; the poverty level was $9,300. A woman working 40 hours per week, year round, at $3.50 per hour, made $7,280—about half of what the BLS considered necessary for a low standard of living and 22 percent less even than the poverty line. Further, the BLS assumes a two-parent household with no child care costs—an outmoded assumption which underrepresents the real needs of most families, but especially single-parent families with a working head-of-household—in the country today.

About one-third of the employed single mothers surveyed in the RTI study who had lost their AFDC benefits were paying for child care out of their own pockets; 44 percent were also paying for all of the family medical care, since they had no medical insurance—in itself indicating something about the type and level of their jobs—and in losing AFDC they had also lost their eligibility for medicaid.

Long work hours, at low pay, combined with having to cope single-handedly with the responsibilities of home and children and the fear of getting sick, or of having a child fall sick, do not constitute a lifestyle I would personally wish on anybody. We consider the response to loss of benefits which the RTI study uncovered to be a tribute to what human beings can indure, not to what we should take pride in making them indure, as the administration seems to be doing.

Incidentally, I would point out to this committee that although only one-third of the employed mothers told RTI that they paid for child care, three-quarters had children at home who had not yet

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reached their teens. Most mothers claimed that they did not need child care services or that relatives or friends watched their children for free while they worked. Let me raise a red flag about those data and their implications.

Our CSS day care study, a study which we carried out last year with Carnegie Corp. sponsorship, found that almost 20 percent of the respondents left their children at home alone, either occasionally or on a regular basis, for anywhere from 1 to 8 hours at a time in order to work. Some secondary data analysis which I had done for an article published the previous year also suggested that many more children of working parents than had been supposed were being left alone for at least part of the day. We strongly suspect that most of the children of the mothers in the RTI study, as a result of their families' loss of eligibility for both AFDC benefits and other services due to the OBRA changes, are now being left home alone or without adequate supervision while their mothers work. We consider that frightening and we fear and believe it is happening nationwide.

It is well-known that statistical interpretation is, more often than not, a subjective matter; 16 ounces of liquid in a quart bottle can be viewed as half full or half empty. Equally, the results of the RTI study can be interpreted that AFDC mothers didn't need the benefits or that they did.

At issue here is not whether people could be supporting themselves through work if forced to do so. We have long known that AFDC recipients are willing to work, as shown in Leonard Goodwin's classic study a decade ago, "Do The Poor Want To Work?" and other studies over the years. Rather, it is whether we want to allow enough income to guarantee a minimally decent living standard to these working poor families. Small AFDC benefits have, in the past, supplemented low wages and kept working recipients from falling further into poverty. We believe, from a careful reading of the RTI data and from other sources, that those supplementary benefits were essential to AFDC mothers' and their children's health, safety, and well-being.

We thus strongly support H.R. 2354, which would restore a decent level of earned income disregards to the AFDC program. We would, however, urge one minor change. The bill proposes a disregard formula of $50 plus work expenses—20 percent of gross income up to a maximum of $175—plus actual child care costs up to $160 per child plus one-third of the remainder.

We would prefer to see the one-third disregard come before the disregards for work expenses and child care. We believe that this would be more equitable, since otherwise, given two women with the same level of earnings, the one with higher child-care costs would wind up with less disposable income. Again, though, we consider this to be a minor point, given the major difference that passage of H.R. 2354 would make in the lives of poor women and children.

We are also familiar with Representative Stark's proposal for changes in AFDC. Mr. Stark would give States the option of fully reimbursing AFDC recipients who have transportation and child care expenses as a result of CWEP. We both applaud and deplore that proposed change. We applaud it because we believe that

anyone forced to take part in a CWEP program certainly should not incur additional expenses.

We deplore it for two reasons. One is that States would not be required to make full reimbursement. Yes, States have budget problems. AFDC recipients have worse ones, and they can ill-afford to pay the extra costs out of their already inadequate grant amounts.

Further, although we recognize that CWEP, workfare, is a terrific public relations tool for a generally unpopular State department and program, it is nevertheless lousy social policy.

Without getting into the question of when work is appropriate for the single parent of a small child—since we do believe that parental caregiving should not be demeaned and we have serious concerns about the adequacy of many child care arrangements—we would nevertheless state unequivocally that, as appropriate, we believe in work in the labor market, in fair wages, in the right to join a union, and in fringe benefits, including vacations and holidays, sick days, coverage for social security, and pensions.

You and I take these as much for granted as part of a work experience, private or public, as we take the notion of "money in exchange for labor." Let us as a nation insure jobs, providing them as necessary through subsidization or other means. Workfare, however, has little in common with real jobs, whether in the market economy or as part of a public work project. It is an easy answer to the felt needs of public opinion, but not to the real needs of either individuals or States.

If I may quickly summarize my remarks: We enthusiastically support Mr. Ford's bill, H.R. 2354; we find many positive elements in Mr. Stark's AFDC proposals; we believe that the RTI report needs to be examined more closely—and, if necessary, followup reports commissioned—in terms of the economic implications and social impact of the 1981 OBRA changes on AFDC families; and, last but not least, we deplore the growing trend toward implementing workfare programs as a way to avoid grappling with the harder economic and social problems of our society.

I thank you for giving me this opportunity to testify before you today on behalf of the Community Service Society of New York. We look forward to continuing to work with you on public assistance issues and would be glad to answer any questions you might have.

[The prepared statement follows:]

STATEMENT OF LINDA R. WOLF JONES, SENIOR POLICY ANALYST—INCOME SECURITY, COMMUNITY SERVICE SOCIETY OF NEW YORK

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Strongly support the changes in the AFDC earned income disregards and other statutory changes contained in H.R. 2354.

Approve of the work-related changes contained in Mr. Stark's AFDC proposal. (No current position on its other provisions.)

Recommend that the Research Triangle Institute report be more closely examined in terms of the economic implications and social impact of the 1981 OBRA changes on AFDC families. Follow-up studies may be indicated.

Deplore the concept of workfare and the growth in CWEP programs as being antithetical to, and diversionary from, the development of sound economic and social policies.

My name is Linda R. Wolf Jones and I am the Senior Policy Analyst for Income Security at the Community Service Society of New York (CSS).

The Community Service Society is one of the oldest and largest nonprofit, nonsectarian social agencies in the United States. Our concern for 135 years has been focused on the lives and living conditions of the urban disadvantaged. In that vein, we conduct direct service programs, work closely with community groups, and seek to shape public policy through legislative analysis and advocacy of preferred measures. We are grateful for this opportunity to testify on the public assistance proposals currently before your subcommittee.

I would like to concentrate my remarks on Chairman Ford's bill, H.R. 2354, and on some of the related concerns about the Aid to Families with Dependent Children (AFDC) program which have surfaced over the past few years, particularly in the realm of work and welfare.

CSS is strongly supportive of H.R. 2354. We believe that women who have taken on, single-handedly, the dual roles of caretaker and worker ought to be encouraged in their efforts. We were pleased to find that Mr. Stark's proposal also includes positive incentives for poor working mothers. On the other side, we feel equally strong that the Administration's policies on work and welfare, as seen in the Research Triangle Institute report and in the expansion of the workfare concept, are deleterious and potentially dangerous for poor women and families.

H.R. 2354 would revise or repeal deliberalizing changes in the treatment of earnings for the AFDC population which were enacted in the Omnibus Budget Reconciliation Act of 1981 (OBRA). At that time, limitations were imposed on the disregards for work expenses, child care, and work incentives and on the gross income which a family could have without losing its AFDC eligibility. It will not come as a surprise to you that we were against those changes—not because we thought women would give up their work effort and become totally dependent on AFDC, but because we knew that they would do just the opposite. Loss of their supplemental benefits simply intensified the conditions of poverty for these families.

A study on day care which we carried out last year with Carnegie Corporation sponsorship showed that many low income working mothers will do just about anything to avoid having to drop out the labor force, even to the point of overtaxing themselves and leaving their children in possibly precarious situations. Their economic circumstances are marginal and they know it. Public assistance is a help, if received, but by itself it does not provide enough for a decent living. This is the case even in New York, long considered one of the "high benefit states," where in 1981 a family of four was likely to be receiving about $500 per month, or $6000 per year. That was after we passed, mid-year, the first grant increase in seven years. In a state like Tennessee, that same family would have been eligible for $148 per month in assistance, $1776 per year. By comparison, the median family income in the United States that same year was over $22,000.

The issue, then, is whether we treat earned income disregards in the AFDC program as simply the carrot side of a carrot-stick spectrum, answering the question of how to motivate people to work, or whether we consider them as part of the answer of how to help parents provide their children with a minimally decent living standard. Work expense and work incentive disregards are not simply a reward: not when the median income of husband-wife families is over $22,000 and the median income of mother-only families is under $8000; not when 20 percent of the children in this country are living in poverty; not when a single head-of-household on the average cannot and does not earn enough to support a family at even a lower level living standard as defined by the Bureau of Labor Statistics (BLS).

We are not urging you and your colleagues to be soft toward welfare recipients by reinstating more reasonable earned income disregards; we are asking you to weigh the economic facts. We do not have a national income policy in this country which ensures a decent standard of living for people at the lower end of the economic ladder. Let us at least not malevolently shake the ladder with so-called assurances that a "safety net" lies below.

The recently-issued Research Triangle Institute (RTI) report evaluating the 1981 AFDC amendments, in our estimation, validates our arguments better than any other document of its ilk so far. That report was commissioned by and produced for the U.S. Department of Health and Human Services. Shortly after its publication, Secretary Heckler was quoted as saying that it "establishes, beyond any question, that the Reagan welfare changes achieved equitable and fair results, and that none of the rhetorical charges made by critics had any basis in fact." (New York Times, 29th April 1983) I don't know exactly what rhetorical charges she had in mind, but my interpretation of the findings of that report are somewhat different. Since the report was 175 pages long and was mostly comprised of lengthy discussins about sta-

tistical significance and descriptions of methodological approach, it is not surprising to me that some of its most pertinent facts have not received greater exposure. Certainly, the Administration was not going to go around talking about them.

For instance, as the Administration has pointed out, it is true that AFDC recipients with earnings did not reduce their work effort as a result of the OBRA income disregard changes. Instead, they increased it. The RTI survey showed that over 80 percent of the single mothers who lost their AFDC eligibility and benefits due to OBRA earned-income-related changes were working. More than half of these single working mothers were putting in forty or more hours per week at their jobs in addition to maintaining, by themselves, a home and family. One-quarter of them earned $3.50 or less per hour. The report did not provide any further breakdown of that figure; it would be interesting to know how many of these women were actually working for less than the $3.35 per hour minimum wage. Another quarter were earning between $3.50 and $4.25 per hour at their jobs.

Let me put a more human face on those data. In 1981, the median family income in the United States, as I mentioned earlier, was $22,000 plus; the BLS lower level budget for a family of four was $14,000; the poverty level was $9,300. A woman working forty hours per week, year round, at $3.50 per hour made $7,280—about half of what the BLS considered necessary for a low standard of living and 22 percent less even than the poverty line. Further, the BLS assumes a two parent household with no child care costs—an outmoded assumption which underrepresents the real needs of most families, but especially single parent families, in the courtry today. About one-third of the employed single mothers surveyed in the RTI study who had lost their AFDC benefits were paying for child care out of their own pockets. Forty-four percent were also paying for all of the family medical care, since they had no medical insurance—in itself indicating something about the type and level of their jobs—and in losing AFDC they had also lost their eligibility for Medicaid.

Long work hours, at low pay, combined with having to cope single-handedly with the responsibilitiess of home and children and the fear of getting sick, or of having a child fall sick, do not constitute a lifestyle I would personally wish on anybody. We consider the response to loss of benefits which the RTI study uncovered to be a tribute to what human beings can endure, not to what we should take pride in making them endure, as the Administration seems to be doing.

Incidentally, I would point out to this Committee that although only one-third of the employed mothers told RTI that they paid for child care, three-quarters had children at home who had not yet reached their teens. Most mothers claimed that they did not need child care services or that relatives or friends watched their children for free while they worked. Let me raise a red flag about those data and their implications. Our CSS day care study found that almost 20 percent of the respondents left their children at home alone, either occasionally or on a regular basis, for anywhere from one to eight hours at a time in order to work. Some secondary data analysis which I had done for an article published the previous year also suggested that many more children of working parents than had been supposed were being left alone for at least part of the day. We strongly suspect tht most of the children of the mothers in the RTI study, as a result of their families' loss of eligibility for both AFDC benefits and other services due to the OBRA changes, are now being left home alone or without adequate supervision while their mothers work. We consider that frightening and fear it is happening nationwide.

It is well-known that statistical interpretation is, more often than not, a subjective matter; sixteen ounces of liquid in a quart botle can be viewed as half full or half empty. Equally, the results of the RTI study can be interpreted that AFDC mothers didn't need the benefits or that they did. At issue here is not whether people could be supporting themselves through work if forced to do so. We have long known that AFDC recipients are willing to work, as shown in Leonard Goodwin's classic study a decade ago (Do The Poor Want To Work?, Brookings Institution, 1972) and other studies over the years. Rather, it is whether we want to aliow enough income to guarantee a minimally decent living standard to these working poor families. Small AFDC benefits have, in the past, supplemented low wages and kept working recipients from falling further into poverty. We believe, from a careful reading of the RTI data and from other sources, that those supplementary benefits were essential to AFDC mothers' and their children's health, safety and well-being.

We thus strongly support H.R. 2354, which would restore a decent level of earned income disregards to the AFDC program. We would, however, urge one minor change. The bill proposes a disregard formula of $50 plus work expenses (20 percent of gross income up to a maximum of $175) plus actual child care costs up to $160 per child plus one-third of the remainder. We would prefer to see the one-third disre-

gard come before the disregards for work expensese and child care. We beiieve that this would be more equitable, since otherwise, given two women with the same level of earnings, the one with higher child care costs would wind up with less disposable income. Again, though, we consider this to be a minor point, given the major difference that passage of H.R. 2354 would make in the lives of poor women and children.

We are also familiar with Representative Stark's proposal for changes in AFDC. In terms of the work-welfare relationship, we greatly prefer H.R. 2354, although we favor Mr. Stark's repositioning of child care expenses in the disregard formula. Otherwise, H.R. 2354 offers more to working AFDC recipients in terms of both the amounts of the disregards (the first $50 as against the first $30; 20 percent for work expenses as against 18 percent) and the period for receiving them (no time limitation on the work incentive portions as against a one year limit.) Either Mr. Ford's or Mr. Stark's proposal, however, would be far preferable to the $75 work expense disregard and four month limit on work incentives currently in place. We do like Mr. Stark's suggestion that the earned income tax credit (EITC) not be counted as AFDC income. Mr. Ford's proposal for counting as income only the EITC which is actually received by a recipient is certainly better than the current OBRA—determined statutory policy, but we would prefer that it not be counted at all.

We will not comment on each of the individual changes contained in Mr. Stark's proposal. It would be, in general, a big step in the right direction. We understand and respect that it is a balanced attempt to correct some of the worst excesses and technical difficulties of OBRA in a budget neutral manner. However, there is one proposed change we would single out to both applaud and deplore. If a state is going to have a mandatory community work experience program (CWEP) for AFDC recipients, then the least it ought to do is to reimburse participants for the full amount of transportation and child care costs incurred. Current federal policy prohibits it. The $25 monthly cap set by OBRA for both of these expenses combined is patently unreasonable, as well as being inconsistent with reimbursement policies in WIN and AFDC generally. Mr. Stark's proposal would allow states to fully reimburse participants for their CWEP—related expenses. While this would be a positive step, we are concerned that states would not be required to make full reimbursement. States do have budget problems, but their AFDC recipients have worse ones and can ill afford to pay extra costs out of already inadequate grant amounts. Further, although we recognize that CWEP— or, as it is more commonly called, workfare—is a terrific public relations tool for a generally unpopular state department and program, it is nevertheless lousy social policy.

Without getting into the question of when work is appropriate for the single parent of a small child—since we do believe that parental caregiving should not be demeaned and we have serious concerns about the adequacy of many child care arrangements—we would nevertheless state unequivocally that, as appropriate, we believe in work in the labor market, in fair wages, in the right to join a union, and in fringe benefits, including vacations and holidays, sick days, coverage for Social Security and pensions. You and I take these as much for granted as part of a work experience, private or public, as we take the motion of "money in exchange for labor." Let us as a nation insure jobs, providing them as necessary through subsidization or other means. Workfare, however, has little in common with real jobs, whether in the market economy or as part of a public work project. It is an easy answer to the felt needs of public opinion, but not to the real needs of either individuals or states.

If I may quickly summarize my remarks—we enthusiastically support Mr. Ford's bill, H.R. 2354; we find many positive elements in Mr. Stark's AFDC proposals' we believe that the RTI report needs to be examined more closely (and, if necessary, follow-up reports commissioned) in terms of the economic implications and social impact of the 1981 OBRA changes on AFDC families; and, last but not least, we deplore the growing trend toward implementing workfare programs as a way to avoid grappling with the harder economic and social problems of our society.

I thank you for giving me this opportunity to testify before you today on behalf of the Community Service Society of New York. We look forward to continuing to work with you on pulblic assistance issues and would be glad to answer any questions you might have.

Chairman FORD. Thank you, Mrs. Jones.

Now, the committee will recognize Mr. John Hansan, executive director of the National Association of Social Workers.

STATEMENT OF JOHN E. HANSAN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

Mr. HANSAN. Thank you, Mr. Chairman. I appreciate the opportunity to be here and to testify in support of H.R. 2354, and I ask that our statement be admitted to the record in full.

Chairman FORD. Your full text will be part of the record.

Mr. HANSAN. One of the advantages of being heard last is that I can say with great sincerity that you have already heard some marvelous testimony from a very talented and committed group of people this afternoon, both the ones that I know here at this table and the ones that preceded us.

There is very little that I would want to say in addition to what has already been said, except to offer a couple of points in support of increased funding for title XX, which, as committee staff Allen Jensen and Ken Bowler know, I have been here to do before—back, it seems, many Congresses ago.

The only thing constant in this room are the four or five aging men who have been wrestling with this matter for a long time. In that connection, Mr. Chairman, the money that you are proposing, the $300 million, is over and above the amount that it was when the program was first founded in 1976—$2.5 billion.

Title XX has really been a political football in terms of funding. The States have bought into the system, and they have gone through all of the hoops that the Congress has set up in its legislation, and at various times States have made plans on the basis of increased appropriations only to find that, depending upon the vagaries of who is in office and who is out, those funds are reduced. I think that part of the reason for this is that we sometimes fail to remember just what it is that is represented in something like title XX or the social services block grant.

I would like to say for the record that the money that is represented, $300 million, is the kind of discretionary money that a Governor, or county officials, or mayors—depending upon the State's organization—can use with which to purchase or buy or pay for what they have determined to be their most priority service, whatever it happens to be.

It is the linchpin. It can be the kind of money that you can't buy, because it is extra, over and above what we had planned last year, and, therefore, it goes further than the $2.5 billion underneath it, because that money has already been committed. You, as politicians, know, and you have been in administrative jobs before, that it is easier to withhold than to take away. So, over the years, as we build up to this spending level of $2.5 billion, it becomes very hard to go below a certain level of spending, or eliminate services.

Consequently, the administrators, political as well as appointed, are caught with that kind of a reality.

The second point is, social services as social services are not an end in themselves. They are rather a means to an end, and that means to an end is one that has been proven over and over again.

When we talk about services, we are essentially talking about helping people to link up with the resources and support they need in order to function as individuals, parents, workers, and contributing members of the society; and while these services are identified

as day care or transportation, or chore services, or psychotherapy, they are essentially not an end in themselves, but merely a means to an end.

Finally, I wanted to say there are two additional recommendations that I would make to this committee. One is that the committee probably has greater influence than it realizes. I would wonder why this committee has not requested from the administration that there be more research done, more evaluation of what the Federal Government is spending for in some of these programs.

What is it that you have directed this administration to do, if anything, in relation to the programs, whether it is title XX, social services or in terms of services integration.

In short, at least I recall—your staff can correct me if I am wrong, and they will, I know—I recall a time when this committee and its staff and the administration worked very closely together, and I don't think that it matters whether it is a Republican or a Democrat, the point is that the committee should be demanding that the administration do certain things that it needs with which to come up with the kind of legislation that is required, and so that you don't have to depend just on the public, so to speak, to come in and tell you.

You also have an executive branch out there to do your work, but they need direction.

Chairman FORD. Plenty of it, but it is difficult to work with them at times.

Mr. HANSAN. I really think they have to know what the mind of the Congress is, and I would say that to Mr. Campbell and to the minority staff as well.

The other point is a suggestion, and it has come up in the testimony, and that is in relation to a kind of potpourri of subjects that are covered in a hearing such as today. Again, this committee, under your chairmanship and as part of the full committee, could be instrumental, I believe, in taking the first step toward the introduction of some type of national social planning which we have not seen since World War II or the depression.

Begin to look at some of the social problems and not make them the subject to the vagaries of a partisan administration, on one side or the other; the social problems that you are dealing with in this committee have been with us since we have been a Nation, and we should begin some national planning to deal with them. These social problems have been with the Federal Government since the Federal Government introduced itself into the funding of some kind of human services, and to the extent that these problems are going to be with us as long as we are here, it would behoove all of us to take some extra effort, to begin to look at them from the point of view of a nation, at long range, and not be subject to the kind of short-term planning that we get on the basis of who is in the White House or who is in control of the House or the Senate, which is what we seem to get too much of, in my judgment.

Thank you for the opportunity to come and share my testimony, as well as those observations.

[The prepared statement follows:]

STATEMENT OF JOHN E. HANSAN, PH. D., ACSW, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

Mr. Chairman, my name is John E. Hansan, executive director of the National Association of Social Workers representing 92,000 social workers across the country. Every year this association has come before this subcommittee to make the case for public social services and continued funding. We do so again.

NASW supports the $300 million increase for title XX of the Social Security Act contained in H.R. 2354 and permitted by the the first budget resolution. The amount is modest. It would bring the total authorization to $2.8 billion. That is the same level of outlays for the program as it had 6 years ago. Let me make a few quick observations:

(1) As is well known, the budget cuts enacted in 1981 have been compounded by the recession and the simultaneous drain on State revenues. We have observed through our project block grants, NASW's national monitoring effort, that few States have made up even a part of the Federal funding lost in the past 2 years.

(2) The social services block grant is key to and interdependent with other national goals. With the adoption of the 1980 amendments initiating a new effort to encourage foster care reduction, permanency planning and adoption of children, the authorization of title XX was to have been $3.3 billion in fiscal 1984. Although States are still obligated to carry out the child welfare reforms, the funding is not there. As the subcommittee is aware, Child Welfare Services Act regulations were just issued.

(3) Even with the cuts, the States have tried valiantly to maintain their protective services for abused and neglected children and dependent seniors. Unhappily, these State decisions have had the effect of squeezing other services which are not directed at saving lives in immediate crisis situations. For example, in the District of Columbia diagnostic counseling of family crises is no longer an identified service and the increased demand for homemaker chore services is straining the available resources.

(4) Day care which previously was protected by a set-aside of $200 million and a 100-percent Federal match under title XX, has suffered drastic cuts across the country. Every known survey of the States' fiscal 1982 response to the cuts found that day care took the brunt of social services block grant reductions in States which did not make pro-rata cuts in all services.

(5) A stated purpose of turning title XX into a no-strings attached block grant was to give flexibility in programming to the States. As we all know, the cuts amounting to 25 percent curtailed that potential. Now, the jobs bill supplemental allocation has provided some flexibility directed at employment for social and supportive services. Because the funding under the jobs bill is time-limited and targeted, most States are developing projects which can be easily terminated after 1 year. The result is that the regular services under title XX are not expanding, at least not beyond 1984.

The human implications of all the above are borne out in a survey of our members who work in public and private child welfare and family service agencies.[1] Day

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[1] NASW practice with children and families survey:

During April and May, 1983, one hundred forty social work practitioners responded to an NASW questionnaire directed at identifying current needs and trends in the field of families and children. The practice setting of respondents was primarily in public child welfare and private family agencies—75% of respondents.

In response to the question, "Over the past two years, were there changes in problems presented by clients?" 91% answered "yes" and noted a greater severity of problems associated with the economic recession and cutbacks in community services, especially early intervention and preventive services. They noted an increace in both the severity as well as the numbers of cases of child abuse, family violence and sexual abuse of children.

Unemployment was identified as a dominant factor in causing increased family stress. Many more noted that unemployed fathers (as opposed to employed mothers) as well as loss of income and underemployment contributed to family stress. Lack of affordable housing and lack of affordable day care were seen as almost as significant factors in family stress as unemployment. The majority of the respondents noted that their communities has seen a serious increase in child abuse, domestic violence and adolescent problems of all kinds.

While respondents often cited their own personal experience as the source of knowledge of community problems, they also quoted agency, county and state statistics. Only 9 percent mentioned that the source of their knowledge was from newspaper or media reports.

Identified community needs for which there are current inadequacies overwhelmingly centered on: 1) the need for all kinds of adolescent program: 2) day care, (including programs for "latch-key" children); and 3) preventive and early intervention services for families.

While these findings by themselves are based on too small a sample to be definitive, they do represent a "spot check" on the nation and, as such, are indicative of trends in the field of social

Continued

care, including programs for a growing number of "latch-key" children, was cited as the second greatest community need by social workers in 39 States who responded to our questionnaire. (Of 11 need categories cited, adolescent programs, day care and prevention services for families wher mentioned most often. Ninety-seven percent of the respondents reported an increase in the number and severity of family problems, including child and spouse abuse, sex abuse of children, and family financial crises

Because of the increase in such crisis situations and the decision of most States to adopt a triage approach to allocation of their social services block grants, many of the more costly, long-terms preventive type services are being disproportionately curtailed. Even within protective services, we see that the need of staff to concentrate on the most serious, life-threatening cases increases the likelihood that critical cases which on the surface appear lesss serious escape attention. A social worker from the Texas Department of Human Resources told us: "Were we able to do preventive work—close the barn door before the horse gets out—there would indeed be long waiting lists. We deal (instead) with crisis and its aftermath."

The pressure of larger, more intractable caseloads in taking a toll on social workers and, in turn, service quality. The Fort Worth foster care supervisor quoted above said, "I just gave up the bureaucracy and resigned effective April 30, 1983." She had directed services in ten counties for five years. The loss of such experience is compounded by the reduction or elimination of training programs in every State that we are aware of. The repeal of the training funds set-aside in 1981 affects the staff replacing those who leave because of burnout.

Our survey also found evidence that, despite the goals of the 1980 Adoption Assistance and Child Welfare Act of 1980, there is an increased preoccupation with foster care placement. Indeed, in may places, workers are unable to find foster families and cite a need for residential facilities. A social worker from the South Carolina Department of Social Services reports a "large increase" In the number of children and parents whose emotional problems are "not severe enough to cause institutionalization but that are too severe to be helped by local resources." She also says more foster families, intensive outpatient therapy programs, and adolescent group homes are needed to deal with "uncontrollable" teenagers whose parents want to be relieved of responsibility.

Exactly 1 week ago the Washington Post reported a 3-year reversal in the decline of admissions to mental hospitals. Our project block grant chairperson in Mississippi said their State hospital admissions increased from 55 to 95 in 1 year and attributed the increase to a reduction in community services. I am afraid this trend will continue, and add to the total public cost, if the social services and other block grants for community resources are not properly funded.

For the social work community, social services is more than title XX. It is more than assisting individuals and families in meeting the needs of every day living; it is also obtaining access to other resources. The consolidation of services in the block grant should have moved us closer to a coordinated system of services to include counseling, day care and adult activity centers, special transportation, information and referral, outreach, social-developmental, and homemaker/chore services. It has not achieved this goal. We now know that indiscriminate budget cutting does not accomplish the hoped-for reorganization of service delivery. It merely means that some services are cut, that some staff lose their jobs and that many clients are not served.

Yet, for all its shortcomings, title XX of the Social Security Act remains a pivotal, Federal program because it retains its essential character in helping the States meet their human service obligations. Also the program remains a symbol of national commitment to help individuals and families in crisis. And, it retains the potential that at the State levels, with additional funding, the States, can begin once more to work toward the integration of services.

Before turning to other bills before this subcommittee, it would like to express strong support for Rep. Fortney Stark's bill to establish a regular progam of emergency shelter for homeless individuals and families (H.R. 927). In a small but significant way, I am pleased in having helped bring the condition of homelessness to national attention several years ago by sponsoring a workshop in Boston through the national conference on social welfare which attracted media attention and sparked activity in the social welfare community. While the economic slump and absence of low-income housing contributed heavily to this condition, we are now aware that for

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work practice with children and families. Other national findings from many sources lend support to these findings, and taken together provided a truly national picture of the serious community problems and the severe lack of adequate and needed services for children and families.

many without shelter it is a permanent condition. the $50 million requested could be used as seed money to help hard pressed local governments with organized existing efforts as well as continue them.

H.R. 2653

I would like to turn my attention now to the integrated services bill proposed by Congressman Campbell. In many ways, NASW can applaud his efforts to rationalized social services delivery at the local delivery level and make it easier for people to obtain the various types of assistance they may need. Such one-stop shopping is an attractive idea. In some instances, it can lead to more adequate and effective services. I have a number of concerns, However, that would have to be answered before NASW could endorse such legislation. Let me enumerate a few of them:

While the legislation is directed at all "human services programs", the implication is that states would be allowed to limit the project to only needs-tested programs and create a separate system of services for the poor. NASW has never believed in a dual system, among the many reasons being the stigma attached to welfare programs that keeps many people from seeking the help they need.

The adoption of uniform terms, definitions and standards would help simplify the system for administrators, workers and clients. However, we would be concerned if the provision for uniform eligibility standards means that the lowest common denominator would be adopted and current beneficiaries of programs, therefore, would lose current benefits or services. There are differential standards of need that must be recognized. A handicapped child may not have an income low enough to qualify for AFDC but may have a clear need for certain social and rehabilitative services.

The consolidation location provision would be workable only if the centers remain reasonably accessible to populations in need. This could be a major problem in rural areas. We have already noticed that as states move toward multi-service centers under the block grants agencies in innercity neighborhoods are closing.

The standard procedures for purchasing services called for in the bill have a potential for further limiting accessibility to services. Through NASW's Project Block Grant we have noticed that as states do just that—streamline their purchase of service contracts—some of the agencies closest to the people they serve are unable to compete against wealthier private agencies in middle and upper-class neighborhoods. Indeed, we think the law should make exceptions to allow additional technical assistance and reimbursement of overhead costs in such cases to aid community-based agencies.

The requirement of a comprehensive family profile for each applicant may seriously jeopardize the assurance of confidentiality, especially in the computer age. Just this morning the Washington Post reported on this very concern as the government efforts to combat the spread of AIDS expands.

The requirement for uniform terms and standards should apply to all states and localities in the pilot project and should extend to planning and needs assessment as well. This would facilitate a true evaluation of the project, which, we believe, should be independent and not left to the implementers. It would also move us toward more adequate data collection which has been sorely missing under the 1981 block grants.

The provisions for inviting public comment should be more specific in order to assure the widest possible participation by all persons who would be affected by such sweeping changes.

Given our experience of the last two years, we are concerned that this concept, which conspicuously resembles an administrative block grant, not be used merely as a vehicle for the budget cutting. Federal payment of "90 percent of (project) costs" is too vague to assure this would not be the case. Similarly, given the extreme social service needs I described earlier, it seems that all savings resulting from any efficiencies should be used to provide additional services and assistance.

Finally, more Federal support for a case management approach to services integration might achieve some of the goals of services integration. In its simplest form case management is a client-centered, goal-oriented strategy for case assessment and service delivery to link public and private community resources. The most commonly understood components of case management include inter-agency coordination, and a comprehensive, standardized information system available to all program workers. However, it is integrated at the client level rather than at the administrative level, although some mix is possible. Nevertheless, the goal remains the same: Uniform inter-agency coordination in service delivery.

While we cannot presently support the legislation until our concerns are answered, NASW is prepared to work with the sponsors of H.R. 2563 to develop a more efficient and adequate system of services integration.

H.R. 3512

NASW has not had an opportunity to fully consider all the aid to families with dependent children (AFDC) provisions in H.R. 3512, and thus is not in a position to endorse the full text of the proposed legislation. However, we are in agreement with the main thrust of the bill which is to make "More manageable, more effective, and better able to serve needy families" the AFDC program. In doing so, the bill restores provisions which were eliminated in 1981. There are a few provisions which do not require extensive consideration and which we would like to support.

Disregard the earned income tax credit (EITC) from countable AFDC income.

Make AFDC monthly reporting and retrospective budgeting (MRRB) a state option and allow federal matching for supplements under state MRRB systems when the system cannot respond promptly to immediate needs.

Allow states to forgo the recoupment of overpayments when it can be reasonably assumed that the cost to collect will equal or exceed the overpayment amount.

These provisions promote State administrative efficiency and savings as well as help the recipient deal with sometimes confusing and complicated program requirements.

SUMMARY

To summarize, NASW supports all the provisions of H.R. 2354, specifically:

Increasing the authorization level of Title XX social services block grant to $2.8 billion;

Amending the treatment of earnings under the AFDC program;

Making permanent the present temporary provisions authorizing continued payment of SSI benefits to individuals who work despite severe medical impairment. (This provides for continuation of Medicaid and social services to SSI beneficiaries who undertake employment.); and

Making permanent the present temporary provisions authorizing Federal payments for dependent children voluntarily placed in foster care.

Thank you for the opportunity to appear before the subcommittee today.

Chairman FORD. Mr. Campbell, any questions?

Mr. CAMPBELL. No. I have enjoyed the testimony. That was a good comment there.

I must say, Mr. Chairman, we all find ourselves from time to time dealing with the pieces and not seeing the picture, and perhaps we do need to look at and determine what long-term goals have to be reached. I appreciate the comments and the testimony of everyone here.

I was trying to read some of the specifics that were in your written testimony, while you were talking. We were listening, but there are some specifics in here that are very good in the way of recommendations, some that were made—that were just made—Dr. Hansan, on the bill that I introduced.

One or two of your concerns, you might have been off on, but one or two I ought to take into consideration.

Chairman FORD. I, too, would like to thank each panelist for testifying and responding to comments or questions earlier today.

The Public Assistance and Unemployment Compensation Subcommittee at this time will adjourn its session and conclude its public hearings on social service bills that are pending now before the subcommittee, and hopefully within the very near future this committee will come back for a markup session and report some legislation out in the very near future.

The committee is adjourned.

[Whereupon, at 6:20 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF JAMES THOMAS, DIRECTOR, ADVOCATOR WELFARE ANSWERING SERVICE OF WATERLOO, IOWA

The Advocator Welfare Answering Service is a privately funded non-profit corporation located in Waterloo, Iowa. Its purpose is to provide assistance to low-income Iowans, who have questions or problems regarding the Aid to Families with Dependent Children Program (AFDC) or the Food Stamp Program.

This written testimony is being submitted in response to the request by the Subcommittee on Public Assistance and Unemployment Compensation for public comments in regard to pending legislation before that Subcommittee, pertaining to the AFDC program. The written testimony focuses specifically on H.R. 2354, introduced by the Honorable Harold Ford, U.S. House of Representatives and H.R. 3512, introduced by the Honorable Fortney H. Stark, U.S. House of Representatives. We wish to thank the Subcommittee for this opportunity to express our views in regard to both of these important legislative proposals.

CREATING INCENTIVES TO WORK

H. R. 2354 is clearly the most favorable piece of federal legislation currently before Congress in terms of providing the heads of low-income households with a reason to seek and continue paid employment. We strongly urge its passage. Our reasons for supporting this legislation are rooted in our strong opposition to the current method of calculating the earned income of AFDC families.

The Budget Reconciliation Act of 1981 requires states to deny AFDC assistance to any family whose income exceeds 150% of the State's Standard of Need. This policy change alone was responsible for the termination of assistance to nearly 4,000 families in the state of Iowa. Without question, it was the single most harmful policy change adopted by Congress in recent years in terms of its adverse affect on working AFDC households.

Shortly after this policy was adopted in 1981, Iowa's Commissioner of Human Services, Dr. Michael Reagen, was quoted in a syndicated column by Jules Witcover and Jack Germond that this policy change would not "achieve the savings estimated, because loss of benefits under one program may make recipients eligible for more help under another, or push them onto welfare outright." It has been our experience in fact, that many Iowa AFDC heads of households have been discouraged from seeking employment because of the total lack of incentives for working. In too many cases a recipient is better off by not working because of the limited earned income work expense allowances and incentives and because of the family's need to maintain medical assistance coverage. The penalty for continuing to work for the former AFDC recipient can be quite servere as is illustrated by the following case study out of Sioux City, Iowa:

When the Budget Reconciliation Act became effective in October, 1081, a Sioux City, Iowa AFDC working mother and her five children were terminated from assistance. She was terminated beause her gross earnings exceeded the state standard of need. The combined income of her and her teenage son, still in school, made the family ineligible.

She very seriously considered quitting her job because she knew she could not continue to meet her family's expenses on her income. Her son continued to purchase his own clothes and to pay for his school expenses. But, she still had four children to clothe and to educate. She had to purchase medical insurance for her children, pay her baby-sitter, meet her family's shelter costs, pay her transportation costs, food costs, and medical expenses not covered by insurance.

She did not quit her job. She enjoyed working and liked the feeling of independence. She began falling behind in her bills and as a result, she was not able to buy her children all the necessary clothing, or keep up the maintenance on her home. There was no money to allow her children to participate in extra curricular school activities.

Finally, one day, her sixteen year old daughter announced that she on longer intended to live there, that she did not want to live with her "poor" family any longer. She was embarrassed to have her friends visit her home and felt that her grandmother could and would do much more for her. She did move in with grandmother, a less than ideal situation. The daughter had no curfew and was allowed to go where she wanted. The mother went to the Department of Human services seeking help in having her child return to the home, but was told that they could do nothing. In addition, the grandmother applied for AFDC for the daughter and received it. Shortly thereafter, the Child Support Recovery Unit contacted the mother

and informed her that she would have to pay monthly child support payments for her daughter.

The same agency that took benefits away fron this family and forced them to live on an inadequate income, refused to help the mother in her attempts to hold her family together. Compounding this family's problems was the fact that they were them forced to pay child support out of an already strapped budget.

Unfortunately, the above case study is not an isolated example of the hardships caused by the restrictions on eligibility for assistance imposed on the working poor. Our program receives calls from recipients faced with similar problems almost daily and in most of these cases the recipient is simply better off by reducing their earinings on by quitting their jobs altogether.

Iowa's AFDC population, porior to OBRA, included a significant number of recipients who worked and received partial assistance. For example, according to statistics released by the Iowa Department of Social Services in July, 1980, over 7,400 of the 32,000 families receiving assistance were employed and receiving a partial assistance grant. Working recipients constituted 23 percent of the total AFDC caseload. Following the inplementation of OBRA, Iowa's working AFDC Population decreased to less than 10 Percent of the total caseload.

The average assistance grant paid to AFDC households has also increased over the past two years subsequent to the implementation of OBRA. In May, 1981, the average payment to an AFDC household was $302 per month. In May, 1983, the average payment to an AFDC household had increased to $322 per month. During this period, Iowa did not provide increases in assistance grants to AFDC households. These increases in average monthly assistance payments must be attributable to the overall reduction in the earnings of recipients. We believe that the reduction in earnings by recipients is a direct result of the elimination of work incentives and the restrictions on earned income eligibility brought about by OBRA.

A second feature of H.R. 2354 which we support most enthusiastically provides for the disregard of the earnings of minor children. It is, in our estimation, unconscionable to deny assistance to families because of the earnings of a minor child/student. Public policy should encourage children in needy households to seek employment and thereby develop work skills and experience.

In conclusion, we believe that the amendments to federal AFDC law included in H.R. 2354 represent a vast improvement over current AFDC policy. It is our hope that Congress will seriously consider adopting this important piece of legislation.

RETROSPECTIVE BUDGETING AND MONTHLY REPORTING

The Subcommittee has asked for comments on the provisions in the Omnibus Budget Reconciliation Act of 1981, requiring states to implement monthly reporting and retrospective budgeting. The Iowa Department of Human Services implemented MRRB in September, 1982.

Basically, Iowa's version of MRRB works in the following fashion. AFDC families with earnings, a recent work history (employed within the last six months) or on the AFDC-UP program must file monthly reports. The reports must be received by the fifth day of the month of report, with the recipient family losing their child care and work expense deductions and the $30 and one-third income disregard if they report after the 13th day of the report month. The income then is used to figure the AFDC grant for the next month.

Iowa provides postage paid mailing forms to send back the monthly reporting forms. Iowa does not provide supplemental hardship payments to AFDC families which suffer a loss of income from the budget month to the payment month, a two month period in Iowa.

Since the implementation of monthly reporting and retrospective budgeting low-income Iowa families with children on the AFDC program have suffered many unnecessary hardships. Throughout this discussion the reader must keep in mind the total effect also caused by the cuts mandated by the Omnibus Budget Reconciliation Act of 1981. Recipients have less income when working after OBRA than before, due to the change in work expenses, use of gross income, amount of money $30 and one-third is applied against and the four month limit on the application of the $30 and one-third work incentive. Therefore, the ability of a recipient to save some of their income to cover their children's needs two months down the road is lessened after OBRA, because recipients have less expendable income from working.

Effect on recipients

Monthly reporting and retrospective budgeting have caused great hardship to many Iowa children by not be ng responsive to changes in family income. Only fam-

ilies who work are effected by this budgeting method, with some learning it is not worth picking up a few extra dollars by working because of the system. The following are a few examples of how Iowans have been harmed by MRRB.

A Waterloo, Iowa couple, expecting their third child, received unemployment checks in September and October, 1982. They were receiving AFDC-UP benefits as well. Their unemployment checks totalled approximately $380 per month. This family was ineligible for AFDC-UP in November and December, 1982, because of their September and October income. Their needs for AFDC-UP were $360 (Iowa excluded the needs of one parent). With Christmas coming for them and their two small children, they only looked forward to higher utility bills and no income for the two festive months of November and December.

A woman and her small children received AFDC benefits of $37 for two months because she lost her job. Her AFDC benefits for those two months constituted her entire income. She resides in north central Iowa and lost her job in October, 1982. Since her income for September and October, 1982 was used to figure her AFDC grants for November and December, 1982, she was without a job and only $37 AFDC income for two months, again during the holiday season.

A woman and her two children from a small town in northwestern Iowa was also severely hurt by MRRB and the other cuts imposed by OBRA. She was earning approximately $550.00 per month from her job, and was paying $150 per month for child care. She traveled 25 miles per day to and from work (not uncommon in rural Iowa) and spent approximately $7.00 per month on uniforms required for her work. Her net income was:

Gross pay	$550.00
FICA	−36.85
	513.15
Travel of $6 per day	−108.00
	405.15
Child care	−150.00
	255.15
Uniform expense	−7.00
Actual expendable income per month	248.15

For AFDC purposes her net income was:

Gross pay	$550.00
Tax and work expense allowance	−75.00
	475.00
Child care	−150.00
Countable income for AFDC purposes	325.00

Her AFDC grant was $360.00 (Iowa payment standard for a family of three), minus $325.00, her countable income so she received a monthly AFDC grant of $35.00. Since her actual expendable income was $248.15+$35.00, her total actual income was $283.15, which was substantially less than the full AFDC grant of $360.00. She continued to work however, because she hoped that she would earn enough income someday to get off of AFDC.

Unfortunately, she lost her job in February, 1983 and received only $35.00 total income from AFDC in March and April, 1983. She could not come close to meeting all of her expenses and she had no income left from when she worked to help cover her bills. Her expendable income from working had been less than a full AFDC grant and yet, as the result of MRRB, her income in March and April was a mere $35.00.

The examples go on and on, but the theme is always the same; retrospective budgeting does not respond to the real needs of needy children. Children and their parents are punished two months down the road because of lost income. In all of these cases, families are not provided even the meagre basic subsistence level of monthly income the AFDC grant is supposed to provide. What happened to the woman and her children in the last example, is tragic and Congress should take action to avert similar cases in the future.

If MRRB is to continue, a system of responsive supplemental hardship payments assuring that no family falls below the basic grant level must be adopted. Such a system would also encourage people to work at jobs of short duration, because they

would be assured that their income would not be drastically reduced two months down the road.

The implementation of MRRB and the other changes caused by OBRA, have caused a marked change in the attitudes of those who administer welfare programs. Recipients have become something to be processed and not looked upon as human beings with needs. No longer can even the most responsive public walfare caseworker take time to address the individual needs of his/her clients. We have experienced increases in the incidence of unresponsive actions by local walfare offices. Agency staff are more frequently ignoring client requests for information and assistance, agency personnel refuse to return client calls and we have personally let the phone ring at a local walfare office 100 times before giving up. We believe that much of this unresponsiveness has been caused by the increase workload caseworkers face as the result of MRRB.

Iowans have never wanted MRRB. Twice the Iowa General Assembly has passed legislation phohibiting its implementation. We strongly urge Congress to make MRRB a state option, so that our public officials can reject it yet a third time.

AFDC LUMP SUM INCOME PROPOSALS

H.R. 3512, includes provisions that would modify the current AFDC policy regarding the treatment of lump sum income received by recipients. This policy, which was first included in Title IV-A as part of the massive changes in the AFDC program brought about by the Budget Reconciliation Act of 1981, mandates that certain families receiving lump sum payments in excess of the AFDC Standard of Need, be terminated from the program for a specified number of months.

We believe that this policy should be repealed in its entirety. The effect of the rule has been to oust families from the AFDC rolls, without regard to whether the lump sum payment has been used for legitimate purposes, such as to the repayment of creditors, the payment of rent, or the satisfaction of unpaid medical bills. In many cases, the rule has been applied despite the fact that by the time the agency makes the determination of ineligibility, none of the lump sum remains available to the family. It is also anomolous to allow an AFDC family to have up to $1,000 in resources, but to terminate that family's assistance (and consequently Medicaid) for as long as three months (Two person AFDC family in Iowa) if they receive $1,000 in a lump sum. The lump sum policy has been a nightmare for that small proportion of the AFDC population that has received a lump sum payment. It should be repealed.

H.R. 3512 makes an attempt to cure some of the glaring problems with the lump sum provision. Section 8 of that bill allows states to recalculate the period of ineligibility when the financial need of the family has increased. Although the provision represents some improvement over current policy, it fails to provide for all exigent circumstances. In particular, the change in the statute only allows for adjustment when the financial need of the family has increased. It is unclear whether "financial need" is to be equated to situations where the family's "needs" have increased as defined by the state AFDC program, or whether the term "financial need" is meant to be generic, and thus, more encompassing. The section by section analysis of H.R. 3512, in the Congressional Record, indicates that the term is to be given a broad reading. If that is the case, H.R. 3512, will prove more beneficial than if financial need is limited only to circumstances where the "needs" of the family have changed according to the state AFDC program.

Once again however, we believe that the lump sum income provision should be repealed in its entirety. The provision has proven to be difficult to administer, harmful to recipients and of dubious value as a cost containment measure. When a family is terminated from AFDC because of this provision, they have no other choice but to seek higher levels of food assistance and local assistance, if the income is exhausted before their period of ineligibility ends. In addition, the provision has had a chilling effect on low-income families seeking court ordered damages for violations of their rights as consumers, tenants and as victims of personal injury. The $1,000 AFDC resource limitation is an adequate deterrent to families with excessive assets receiving assistance. The current lump sum provision has had the effect of denying assistance to families, without regard to their unpaid debts and unmet needs, as is illustrated by the editorial from the Des Moines Register.

[Reprint: Des Moines Register editorial, Jan. 27, 1983]

UNLUCKY INHERITANCE

As a welfare mother with four children ages 10 to 15 the 33-year old eastern Iowa woman was struggling to get by on her $464 monthly Aid to Dependent Children grant and $200 monthly food-stamp allowance. In an effort to pull herself out of welfare, she was taking an emergency-medical course.

That was a year ago, before, disaster struck. At first, it didn't look like disaster—she inherited $7,600. But the Iowa Department of Social Services determined that this was the equivalent of 16 months of ADC, so she was cut loose and told that she could reapply in the summer of 1983. She also lost her food-stamp allowance because her resources now exceeded the federal limit.

She owed her brother $1,000 for college expenses, her sister and her foster parents each $400 for car repairs, and the college $200. With $7,600 in the bank, her conscience compelled her to repay those loans.

Winter came, and she bought her children the first new coats any of them had ever had. There also were medical bills, and no longer covered by Medicaid since she lost ADC, she had to pay them from the dwindling $7,600.

Although she finished her college courses, she has not been able to find a job in today's sick economy. Nine months of providing for a household of five with no income finished off the unlucky inheritance this month, so she is eligible for food stamps again—but not for ADC, because the social-services formula insists that her inheritance should have lasted until August.

There is logic in ending ADC grants for a period corresponding to the size of an inheritance; otherwise a welfare recipient could spend the inheritance quickly in order to get back on walfare sooner. Federal law allows states to make exceptions in emergency cases like this one, but Iowa does not do so. This family's plight is an example of why it should.

Meanwhile, the woman is still job-hunting, still pondering the irony that her grandmother's good intentions in leaving her $7,600 nad brought more misery than good—and wondering how she'll pay the rent, the utilities, the medical bills.

PROPOSED ALTERNATIVES TO EXISTING AFDC-UP PROGRAM

Section 4 of Representative Stark's bill, H.R. 3512, sets up alernatives to the present AFDC-UP program, which currently exists in about half of the states. We support the AFDC-UP program as presently structured and oppose the alterantives set forth in the Stark bill. We believe that these proposals will allow states to deny assistance to needy families, in an arbitrary manner, without regard to the needs of those families.

A historical analysis is necessary to provide a framework for assessing the changes proposed by H.R. 3512. From 1974 until May, 1981, the state of Iowa maintained an AFDC-UP program. That program was eliminated in May of 1981, as a cost cutting measure by the Iowa General Assembly. The result of this attempt at "fiscal restraint" was that over 1300 families were forced to break up so that the children in the household could continue to receive some marginal form of assistance.

Recognizing the error of its earlier decision, the Iowa General Assembly, in April, 1982, voted overwhelmingly to reinstate the AFDC-UP program. The program, as it was originally reinstated, allowed assistance to all family members, minus one parent. However, as of July, 1983, the General Assembly has extended assistance to all family members and the program has been fully restored to its pre-May, 1981 level. The complete turnaround on the part of Iowa's General Assembly can be attributed to their discovery that the program is a necessary part of the State's social services system. They determined that it was unfair and irrational to punish the children of the unemployed, as a means of saviang state dollars. They further discovered that the savings incurred by the cuts in the AFDC-UP programs were offset by increases paid under the regular AFDC program and by increased costs shifted to local county relief agencies.

The worst feature of H.R. 3512, in terms of its impact on AFDC-UP recipients, is the provision which allows states the option of limiting assistance to six months. The Subcommittee should recognize that families that participate in the AFDC-UP program do so because there is no alternative. As the result of the Recession, the job market in Iowa has been extremely tight over the past few years, resulting in levels of unemployment unheard of in this "recession proof" state. Recent polls and remarks by political officials have indicated that Iowa is one of the last states to be visited by an upturn in its economy. The relevance of the recession to the AFDC-UP

program is that participation levels in the program have always directly correlated to the unemployment rate. When unemployment soared in 1980 and 1981, participation in the AFDC-UP program increased dramatically. Although the number of families receiving AFDC-UP assistance had only occasionally topped 1000 in the years before 1980, some 1238 families participated as of January, 1980. This number increased to 2299 in June 1980, 3236 in January, 1981, and 4170 in April of 1981, the last month of AFDC-UP program prior to its elimination on May 1, 1981. This last figure remains the high water mark of participation in the AFDC-UP program.

As the economy improves, however slightly, people begin to find employment and leave the AFDC-UP program. Thus, as unemployment figures have eased over the past few months, the number of families participating in the AFDC-UP program has decreased. For example, in April, 1983, the Iowa Department of Human Services reported that 3777 families participated in the program. The following month, May, 1983, this figure dropped to 3632, consistent with a slight decline in Iowa's unemployment rate. As the Iowa experience indicates, the best way to reduce participation rates in the AFDC-UP program is to increase employment opportunities for the poor.

Another factor counseling against the option of a six month limit on eligibility is the fluidity of the AFDC-UP population. It can be safely maintained that those families that participate in the AFDC-UP program are not long-term beneficiaries of government largess. They are instead, families who have been caught up in the recession, have been laid off and have been unable to find work in their communities. Statistics from the Iowa Department of Human Services accentuate this fact. For the month of May, 1983, those statistics show that 443 new AFDC-UP cases were opened statewide, while 499 were closed. Thus, of the present participants in the AFDC-UP program, fully one-seventh are in only their first month of participation. This turnover rate indicates that AFDC-UP households tend not to be long term recipients of the program. When work becomes available, the unemployed parent willingly forfeits assistance for paid employment.

Because families who are participating in the AFDC-UP program are the victims of a national and local economy over which they have no control, it makes no sense to limit the number of months that they can receive aid. To do so would unfairly punish these families and force the same break-up of the family unit that aroused the Iowa General Assembly to reinstate the AFDC-UP program in July, 1982.

A second problem with the alternatives set forth in H.R. 3512, is the proposal that the six month alternative be limited to states that have approved Title IV-A plans, but do not provide AFDC-UP assistance. Our concern is that states might drop out of the AFDC-UP program altogether, in order to take advantage of whatever cost savings might be realized by a new consitricted AFDC-UP program. The social costs of such schemes are incalculable. This proposal, should it become law, should at a minimum be amended to provide that the only states eligible to participate should be those states which for the first time, add an AFDC-UP program.

A final section of H.R. 3512, which we believe is unacceptable, is section (f)(2)(B), which disallows child care deductions except in cases of incapacity or other employment. A similar objectionable provision is found in Representative Ford's bill, H.R. 2354. This provision, which at first blush appears sound, given the fact that an AFDC-UP family will have two adults in the home, fails to take into account unexpected circumstances that might necessitate the need for child care. For example, one spouse may suffer from a short term illness not qualifying them as incapacitated, while the other spouse is being forced to participate in CWEP. In this scenario, the parent in the home might not be able to care for the children. We are familiar with a case in Southeast Iowa, where a parent left the home to be with a dying relative, leaving their spouse, who was participating in CWEP, and the children behind. The remaining parent was faced with the choice of staying at home with the children and facing CWEP sanctions, or participating in CWEP and leaving the children unattended. In this case the parent chose the first option and was actually threatened with the loss of assistance for non-participation in CWEP. Fortunately, these sanctions were never imposed.

We believe that language should be inserted in the bills currently before the Subcommittee, which would provide that child care deductions or allowances will be allowed in any circumstance where neither parent is present in the home during the day, or where both parents are incapable of providing child care, due to medical or other reasons. In the alternative, legislation should be enacted exempting a parent from participation in CWEP, if they must remain in the home for the purpose of providing child care, when the other parent is unable to do so.

ISSUES REGARDING THE AFDC COMMUNITY WORK EXPERIENCE PROGRAM

The Budget Reconciliation Act of 1981 extended to all states the option of enacting Community Work Experience Workfare programs for any portion of their AFDC population. In 1982, the 69th Iowa General Assembly passed legislation creating a C.W.E.P. for primary wage earners in households receiving AFDC unemployed parents benefits. This program was made optional to any of Iowa's counties interested in assuming partial administrative and fiscal responsibility for the program.

Since the program was implemented in October, 1982, approximately forty of Iowa's ninety-nine counties have adopted workfare programs for unemployed parents in their county. Nearly all of these county projects are financed and administered by federally-funded community action agencies, with the approval of local county boards of supervisors. The role of the state AFDC agency, the Iowa Department of Human Services, is limited to the development of C.W.E.P. policy and the approval of initial project plans. The I.D.H.S. has limited involvement in the ongoing administration of local C.W.E.P. programs and has little control over local workfare agencies in terms of forcing compliance with federal and state C.W.E.P. policy. This administrative arrangement led to a flurry of controversy regarding workfare projects, which culminated in further legislative action to protect the rights of participants.

We believe that Iowa's experience with workfare programs thus far indicates the need for federal legislation to further protect the interests of workfare participants. As advocates for Iowa's poor, we are fundamentally opposed to workfare programs and the basic premise of workfare which consists of the belief that the poor must be induced to work. The people of Iowa have been suffering from the worst unemployment in recent history. The percentage rate of unemployment in some areas of the state has exceeded 15 percent. It is this unacceptably high rate of unemployment that has contributed to the increases in public assistance households, not the slothfulness of Iowa's poor. What these unemployed individuals need are employment opportunities and not a welfare check provided to them in exchange for their involvement in makework. However, we are cognizant of the current political environment which contributes to the apparent popularity of workfare programs. In view of this, we would like to offer our thoughts in terms of how the program might be made less onerous to the nation's poor.

Perhaps the most important issue related to C.W.E.P. is whether the program can be administered in such a fashion as to improve the participant's chances of securing regular paid employment. In this regard, the federal law passed by Congress creating C.W.E.P. provides that:

"The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment." [Sec. 409(a)(1) of Public Law 97-35, Section 2308].

The actual experiences of participants in Iowa's workfare program have frequently run counter to this purpose.

Our agency has participated in meetings with workfare participants, has had several telephone conversations with participants and has attended a public hearing with workfare participants, where the major topic of discussion has been the effectiveness of Iowa's workfare program in assisting participants in their efforts to find paid employment. These contacts with participants have led us to conclude that the majority of placements that participants have been receiving have been in unskilled positions that do little to improve the job skills of unemployed workers. Virtually all of the job placements available in Iowa's workfare program involve custodial, clerical and manual labor in positions which do not exist in the regular job economy. To make matters worse, participants frequently complain that they are being placed in unskilled work inconsistent with their vocational backgrounds and prior work experience.

At a public hearing regarding workfare held in Des Moines in January, 1983, a workfare participant in Southeast Iowa testified he was being required to work on a crew cutting down trees and brush along a county road. He further testified that he had worked in retail sales positions all of his adult life and was receiving no training or meaningful work experience in his workfare placement. He could not see what benefits he was incurring as the result of his workfare experience.

Another participant in the same workfare project testified that he had worked in a local meat packing plant for six years prior to its closing. He had never before been a recipient of public assistance and could not understand how his workfare placement with the road crew would benefit him in finding paid employment when his own efforts to find work over the past year had been unsuccessful. He also testi-

fied about how he had been injured at the worksite when a chain saw he had been operating cut his leg when he had fallen. He attributed the cause of this injury to the workfare supervisor who refused to have anyone assist him by clearing brush away as he cut it with the saw. Obviously, this participant would be hard pressed to find anything positive in relation to his workfare experience.

Other participants at this hearing testified about being terminated from assistance because of errors made by the worksite and about the lack of meaningful work experience they received through their placements. The only positive testimony offered at this January hearing in regard to workfare, consisted of comments relative to how workfare allowed unemployed persons to keep busy while they were out of work. However, this testimony was offered by workfare supervisors who were the direct beneficiaries of participants' free labor.

We have also received complaints from workfare participants regarding how they were discouraged by their supervisors from seeking or accepting regular paid employment. In one instance, a participant stated that they had found employment, but was told that they would still be required to participate in workfare if they wished to receive the partial public assistance grant they were eligible for. The participant had secured part-time employment allowing him to work more than 80 hours per month and his continued involvement with workfare would make it impossible for him to continue in his paid employment. Other participants have complained about how they were refused time off by their workfare supervisor to interview for paid positions. Finally, in at least one case, a participant reported that she had her hours of paid employment reduced so that her employer, who was also a workfare supervisor, could increase the hours of her workfare participation.

In most of the above mentioned cases, the workfare sponsoring agency was engaging in practices that were in violation of federal or state workfare policy. However, these and similar problems are allowed to exist when the responsibility for administering the program is shifted from the state AFDC agency to local governments and non-profit agencies. We believe that federal law should prohibit states to shift the responsibility for administering workfare projects to local governments and agencies. Federal law should require that state AFDC agencies maintain full responsibility for administering the program. In addition, we believe that there should be sanctions imposed against agencies violating program policy.

Federal workfare statutes should also be amended to clarify and toughen the prohibitions against paid worker displacement by workfare participants. The issue of paid worker displacement has been raised in a number of Iowa communities. Most notably, it was the subject of public debates in the community of Ottumwa, Iowa, where local union officials complained that paid city employees were being replaced by workfare participants. In other areas of the state, we have received complaints that paid workers have had hours reduced and work responsibilities altered as the result of their employers accepting workfare participants.

The United States Department of Health and Human Services has issued the following interpretation of the anti-displacement provisions of the federal law and regulations:

"An established, unfilled position is a position that an agency intends to fill during the fiscal year with a regular employee. The issue of displacement is one to be determined on a case by case basis based on the criterion of whether, in the absence of C.W.E.P., the functions assigned to that job would be carried out by regularly paid employees.

"If agency has no intention of filling these positions due to budget cutbacks, C.W.E.P. workers may be placed in these positions. The prudent course of action for the State is to make its intention of not filling the positions clear either by abolishing the position of placing it in a category of jobs to be filled only upon a change in budget circumstances.

"Where States must cut back on services due to reductions in available funds, it is allowable for C.W.E.P. workers to be assigned to do jobs that otherwise would not be done due to budget cutbacks. The fact that the "vacant position" is no longer included in the local facility's table of organization appears to provide some evidence to support allowing C.W.E.P. participants to be assigned to the facility." [Letter dated December 2, 1982, from Bert Launious, Acting Assistant Regional Commissioner, H.H.S. To Michael Reagen, Commissioner, Iowa Department of Social Services].

This interpretation of federal policy opens the door to state and county governments and non-profit agencies to eliminate budgeted positions, that could later be filled by workfare participants. It could act as an inducement to these agencies to achieve reduced spending levels through the elimination of paid staff positions. Clearly, this interpretation of policy places current governmental employees engaging in unskilled or semiskilled positions in a tenuous position. Workfare programs

could actually result in higher rates of unemployment and increased dependency or welfare through the displacement of paid employees.

Another major criticism of the anti-displacement provisions of C.W.E.P. relates to the fact that there are no enforcement procedures set forth in federal law or regulations. Federal law should require states to develop procedures for investigating allegations of paid worker displacement and for punishing agencies engaging in the practice.

We generally support the provisions of H.R. 3512, which relate to the provision of work and child care expenses incurred by workfare participants. If states wish to continue workfare projects, every effort should be made to minimize the hardship on participants.

At the present time, participants are subnsidizing the costs of their participation in workfare from their public assistance grants. This problem became so prevalent in Iowa that the General Assembly passed legislation requiring worksites to purchase clothing and health and safety equipment needed by participants. The applicable portion of the Iowa law reads:

"Clothing, shoes, gloves, and health and safety equipment necessary for the performance of work at a work site under the program,, which the participant does not already possess, shall be provided to the participant by the entity responsible for the work site." (House File 641, Section 3, Acts of the 70th General Assembly).

We believe that states should also be required to reimburse participants for their full work and child care expenses, so that there are no financial burdens placed upon them for their participation in workfare.

In conclusion, we believe that the expansion of the Community Work Experience Program is inadvisable because of the serious problems participants have been experiencing in some projects. We also believe that the program does not provide participants with meaningful job training and experience. However, absent any attempts to limit the program, we believe that legislation should be passed to require states to administer the program through their state AFDC agencies, as opposed to shifting this responsibility to local governments and non-profit agencies. In addition, we believe that legislation should be adopted providing participants with direct reimbursement for the expenses they incur as the result of their involvement in the program.

Once again, we would like to thank the Subcommittee for the opportunity to submit our views regarding this pending legislation.

Statement of the American Federation of State, County, and Municipal Employees

As the nation's largest public employee union representing more than a million members who work at the state, county and local level and in the federal and private non-profit sector, the American Federation of State, County and Municipal Employees submits the following statement on the crucial issues before the subcomittee.

The human services program areas which are the subject of these hearings are of profound importance to millions of Americans whose lives are at risk as the result of the economic deprivation they are forced to endure. They are also of extreme importance to more than 50,000 of our members who work in the AFDC; Title XX; and Child Welfare programs.

First we would like to state, in a general way, that the proposed legislative changes under your consideration are laudable. By and large, they are directed at mitigating some of the harsh revisions established under the Omnibus Budget Reconciliation Act of 1981 and at strengthening the administration of these programs while restoring a greater degree of fairness and equity.

More specifically, AFSCME endorses the provisions in the Ford bill, H.R. 2354. We strongly support an increase in the authorization level for Title XX to $2.8 billion. This action is necessary to maintain the increase approved by Congress earlier this year and to begin to restore Title XX social services which are so vitally needed by the many families suffering the stresses caused by unemployment. Furthermore, the revisions of AFDC income disregards proposed in the bill will prove far more effective in promoting and reinforcing work incentives for recipients than current statutory provisions such as workfare, which will be addressed in more detail in a few minutes. Other provisions in H.R. 2354—particularly repealing the present 150 percent gross income standard of need limitation and extending federal financial participation on children voluntarily placed in foster care beyond the 1983 expiration date—merit approval because they will produce a more equitable public policy.

The intent of H.R. 2563 is commendable and merits serious consideration. A limited number of demonstration projects testing the concept of integrated human services delivery systems could lead to improved services to clients and to more cost effective methods of program administration. Obviously, the establishment of such systems would have a considerable impact upon human services program employees. To protect these workers and to assure that any efficiencies result in more people being served we recommend that H.R 2563 include:

A project evaluation component which would objectively determine the degree to which a project was successful in achieving savings by expanding and not reducing services and operations in which economies of scale are realized;

A firm worker protection provision which will assure that the integrated human services delivery concept does not result in job losses or a worsening of the employment conditions for affected employees.

AFSCME endorses H.R. 3512. We commend Congressman Stark for the forthright manner that his bill seeks to address and correct serious deficiencies in the AFDC program. AFSCME is especially supportive of those provisions which would:

Allow the twenty-seven states that are not now aiding two parent families to operate demonstration programs that test alternatives to the existing optional AFDC-unemployed parents program;

Make AFDC mandatory monthly income reporting and retrospective budgeting a state option and allow federal matching for supplemental payments that are necessary when the system cannot respond promptly to immediate needs; and

Disregard the earned income tax credit from countable income.

We would like to turn now to the CWEP program which also is the subject of these hearings and which is of considerable importance to all the one million members of AFSCME.

In the last few months we have begun looking at the status of workfare around the country. While it appears that AFDC workfare projects have been slow getting started, a number of states have extensive general assistance workfare programs. New York City, for example, has as many as 25,000 general assistance recipients on workfare assignments with the City and is moving now to assign AFDC recipients to workfare positions. Roughly, 69,000 AFDC recipients are considered eligible for these assignments by the city. Michigan and Virginia also are moving into large scale workfare projects. Connecticut has been mandating workfare for general assistance recipients since 1981 and Georgia is operating AFDC workfare projects in ten counties. California has workfare in most of its large counties for general assistance recipients and is considering legislation to compel workfare for all general assistance recipients and AFDC mothers with children over six. Altogether, some form of workfare is being administered in 32 states.

Any large scale spread of workfare has such enormous implications for welfare recipients, the public sector workforce and the quality of public services, that we think it is imperative for this subcommittee to look into this subject further. Our review so far raises serious public policy issues which we believe should be the subject of such an investigation.

First, workfare is inequitable and demeaning. Welfare recipients often perform the same work as regular public employees, but they do not get a paycheck, sick leave, vacation days, health benefits or safety protections. Attached to this statement is a list of some of the workfare assignments in New York City. They paralled precisely the job titles of regular public employees. Is it fair that workfare workers are not treated the same as the people they work with? How does this daily reminder of their inferior status effect their motivations? Like Toni Smith, a workfare clerical in a South Bronx welfare office has said, "I like my job but I feel exploited; regular empolyees doing the same job here earn more than I do. If I don't get a real wage, what's in it for me?"

Is it right that workers in day care centers do not receive innoculations or that there is no safety equipment for workfare workers cleaning up Colorado dumps? Is it not women who are effected the most by this inequity, because increasingly, they head the poor families of this country? Do we want a national policy that relegates thousands of women to this inferior work status?

Second, what are the implications of a large scale workfare program on the public sector? While it is very hard if not impossible to prove job for job substitution, once entrenched, workfare inevitably becomes a source of labor to state and local governments. The substitution effect occurs gradually over time as it did with CETA. Just look at New York or Connecticut where thousands of workfare recipents are doing work previously performed by regular public employees. In New York, although the number of workfare participants has remained relatively constant in the past ten years, it now represents a greater percentage of the City's workforce because of the

massive civil service job reductions during that period. And in Connecticut, state clerical jobs are down by about 1,000 while at the same time the state is increasing its workfare assignments, including many involving clerical work formerly performed by civil servants.

What are the implications for the quality of public services when they are performed by people who have little training or experience in the work they are assigned and who do not work on a regular basis? In some ways, what is remarkable is that many recipients actually like their work and try to do a good job in the face of shifting work assignments, unequal pay and treatment, and deadend work.

Third, to what extent does workfare really achieve its stated objectives of developing work skills and improving the employment opportunities of the recipients? We have our doubts when we hear of a woman in Pennsylvania who liked her job so well that she took and scored well on the civil service test but wasn't hired because there was a job freeze. In Connnecticut, only 3.6 percent of the workfare recipients found permanent employment in 1982.

What possible financial incentive is there for a city to move workfare recipients into regular jobs when it can get its labor for free? In New York City, Ray Rosario, who works at the Bronx Income Maintenance Center with supervisory duties, has received high recommendations but has not been hired into a regular position even when there are job openings. Ray explained his situation, "I have been promised for three years that this was an interim program leading to a paid job. It seems that the City does not want to give me a job as long as they can make me work for almost nothing." Is it possible that, in a perverse way, workfare may perpetuate dependency on welfare because government will lose this supply of free labor? We believe the answer is clear.

And finally what about cost? The evidence about cost certainly is not at all conclusive, but there is some evidence that the program costs more than it is worth. For example, a recent report to the Connecticut legislature showned that the state's workfare program had a net cost of $2 million at the same time the state was running a $50 million deficit. Just recently Springfield, Missouri, abandoned its food stamp workfare program because of the cost. City officials welcomed the program while the federal government picked up the tab. However, this year, Springfield would have had to spend $43,000 to continue receiving funds. When they voted to dump the program, Councilman Jerry Slavin commented, "Workfare here was a total flop . . . They had people sweeping up cigarette butts and polishing brass at the courthouse every day, just so other people could see them doing that. It was silly."

Is the investment of administrative effort and financial resources worth the result in terms of the improvement in the employment opportunities and economic status for the recipients? Are they transitioning to real jobs any faster than they would if they had not been assigned to workfare? If the development of job skills and the transition from welfare to employment is the primary objective, aren't we better off with job training programs, such as those under the Job Training Partnership Act; job search activities, such as those in the WIN program; and subsidized jobs providing equal pay and benefits for real work, such as those proposed in H.R. 1036, the Community Renewal Employment Act? We at AFSCME believe these programs are far more effective than workfare in achieving that objective. We strongly urge you to take a close look at the implementation of workfare. We think you will come to the same conclusion also.

EXHIBIT C

THE CITY OF NEW YORK,
OFFICE OF LABOR RELATIONS,
New York, N.Y., July 27, 1976.

To: Peter Wadsworth.
From: Judi Smiley.
Re: PWP Assignment Titles.

The following is a list of PWP assignment titles and City Counterparts:

PWP titles	Civil service counterpart
Attendant Aide	Attendant
Elevator Aide	Elevator Operator
Watchman Aide	Watchman
Clerical Aide	Clerk
Fiscal Aide	Account Clerk
Messenger Aide	Messenger

PWP titles	Civil service counterpart
Office Machine Aide	Office Machine Operator
Custodial Aide	Custodial Assistant
Janitorial Aide	Janitorial Assistant
Stock Assistant	Assistant Stockman
Pest Control Assistant	Pest Control Aide
Homemaking Aide	Homemaker
Community Service Assistant	Community Service Aide
Food & Housekeeping Asst	Dietary Housekeeping Institutional Aide
Stenographic Aide	Stenographer
Transcriber	Typist
Telephone Aide	Telephone Operator
Patient Assistant	Nurse's Aide
Hospital Clerical Aide	Senior Clerk
Hospital Typing Aide	Sr. Typist
Hospital Telephone Aide	Sr. Telephone Operator

See below for more titles.

Kindly take whatever action is necessary in the matter.

RECENT TITLE ADDITIONS

PWP Child Care Aide
PWP Computer Operator Aide
PWP Computer Programmer Aide
PWP Key Punch Operator Aide
PWP Vehicle Aide

SEATTLE, *July 28, 1983.*

JOHN SALMON,
Chief Counsel, Ways and Means Committee,
House of Representatives.

DEAR MR. SALMON, I support H.R. 2354 which makes two changes in AFDC regulations—removing harsh restrictions enacted in 1981 that had the effect of removing financial incentives for AFDC parents to become partially self-supporting.

These two 1981 restrictions have not only hurt AFDC recipients but also forced states and the federal government to spend more money for full growths rather than partial grants received previously by working AFDC parents

I hope the committee will recommend adoption of H.R. 2354.

Very truly yours,

ALICE ANGELOFF.

STATEMENT OF DONALD M. ACKERMAN, ESQ., CAMDEN REGIONAL LEGAL SERVICES, INC.

Dear Members of the Committee: I would like to take this opportunity to address the committee regarding certain proposed amendments to the AFDC Program In particular I will be addressing myself to representative Stark's bill H.R. 3512 § 8 dealing with the treatment of non-recurring income. I will also be addressing myself to § 2315 of the 1981 Budget Reconciliation Act which implemented retrospective budgeting and monthly reporting in the AFDC program. However, I would like to make a few comments regarding changes in the AFDC program which have been implemented under the Reagan Administration. Generally, it is my impression that the changes imposed by the Reagan Administration have severely and unfairly penalized many who are AFDC families. The changes have been imposed solely to save money and unfairly impacts on the working poor. In addition as will be illustrated below many of these changes have been imposed without exception so that needy families must go without necessary food, clothing, shelter and medical care. Congress and the Administration cannot go on continuing to deprive America's poor children without reaping serious consequences in the future. Depriving needy children of necessary medical care and food and further cutting back programs in times of economic distress will certainly be more costly in the end.

TREATMENT OF NONRECURRING LUMP SUM INCOME

I wish to strongly support changes proposed by Representative Stark in § 8 of his bill subsection 2. As I read this section it allows states to ameliorate some of the harsh consequences of the lump sum rule. The way the present lump sum rule

works is that if any AFDC family receives any lump sum payment it is then thrown off AFDC for the number of months that that lump sum payment would cover. Thus, in New Jersey where a family of three receives $360 per month, if that family were to receive a lum sum payment of $3,600, that family would be ineligible for benefits for ten months. No provision is made for any additional expenses that the family might have including medical expenses. Thus, in New Jersey this family would not only lose its AFDC grant but would also lose medicaid benefits since the receipt of medicaid benefits is tied to the receipt of AFDC benefits.

The problems caused by the present lump sum rule can best be illustrated by several case examples.

(1) A.H. and her family of four children all under the age of six years old was terminated by the local welfare agency because A.H. received $1,000 from the sale of a former marital residence. In this particular case A.H. reported the sale of the residence and requested that she be allowed to keep the money from the sale of her home in order to pay a large electric bill. A.H. had an all electric home and was facing imminent shut-off. The local welfare agency did not counsel A.H. on ways to avoid shut-off and merely demanded the $1,000 be applied to past assistance granted or her AFDC grant would be terminated. A.H. felt that she had no choice but to use the $1,000 to pay her electric bill since without electricity she would be without heat in the month of February. Without the receipt of AFDC income A.H.'s sole income for herself and four children was approximately $90 a month in Social Security Disability. Aside from A.D.'s inability to meet normal family needs at the time of termination of AFDC benefits A.H. had a recently diagnosed heart condition which requird the use of four major medications and additional medical attention and tests. With the loss of medicaid benefits she would have no way to pay for these necessary medical expenses. In addition, one of A.H.'s children age 3 years old was suspected of having epilepsy. A.H.'s physician wished to perform necessary tests on her 3 year old son to determine the nature and extent of the condition. Without medicaid A.H. had no way to pay for these tests.

(2) V.R. moved with her husband and family from Florida to New Jersey where her husband's family resided. Shortly after arriving in New Jersey V.R. was abandoned by her husband. V.R. had two small children and was pregnant. V.R. was living temporarily with a friend until she could receive some money from the sale of a trailer in Florida in order to pay for furniture and moving expenses. V.R. received approximately $3600 from the sale of her trailer and used the money to obtain an apartment, pay for moving expenses and purchase furniture. V.R. reported the receipt of the money and also the fact that the money had been dispursed in order to obtain a place to live. V.R. was terminated by the local welfare agency for 10 months. V.R. was desperate and requested a hearing. At the hearing V.R. was about to have her third child. Because of the circumstances of the case the ALJ found that an emergency situation existed and overturned the decision of the local welfare agency. However, the state agency affirmed the decision of the local agency. Thus, V.R.'s sole income since April of 1983 until the present time has been $137 a month for her infant child. V.R. and her two older children receive no AFDC benefits and have no medicaid coverage.

I believe that the amendment proposed by representative Stark would allow the State of New Jersey to grant benefits to these two desperately poor families. The State of New Jersey could consider the change of circumstances wherein both familis expended the lump sum income received prior to the end of the period of ineligibility imposed by present lump sum rule. Without this provision unknowing and uneducated AFDC families could be eligible for months if not years with no other available source of income in order to pay for the necessities of life of their children. Thus, when A.H. found out that she would be ineligible for a period of two to three months she contacted the New Jersey Department of Youth and Family Services. She was told that if she had no income to support her children they would be taken away. Certainly, depriving children of their family life defeats the purposes of the AFDC statute. The lump sum role must be amended in order to protect poor families and children.

MONTHLY REPORTING AND RETROSPECTIVE BUDGETING IN THE AFDC PROGRAM

The major problem with the monthly reporting system is the requirement that AFDC benefits be determined by a prior month's income. In fact, because of the way the system works AFDC benefits are determined by the income that you received two months prior to the month of payment. Thus, benefits for the month of August 1983 are based on income received in June of 1983. This system causes untold hard-

ship to families which live so close to total destitution. The following example will illustrate the problem.

(3) V.W. had two young children and was approximately 8 and one-half months pregnant in July of this year. V.W. originally applied for welfare benefits in February of this year. At that time she was running out of unemployment insurance benefits. In February of 1983 V.W. received $272 in unemployment benefits and March she received $225 in unemployment benefits. In April because of the operation of the MSR system plaintiff received no unemployment benefits and only $88 in welfare benefits based on prior months income. In June she received $13 in unemployment insurance benefits and a grant of $360 in welfare benefits. In July she received no unemployment benefits and no welfare benefits based on income that she received in May of 1983. The welfare grant for a family of 3 in New Jersey is $360 per month. V.W. in the months from February to July received a total of $1,771 in a combination of unemployment and welfare benefits. However, had she not received any unemployment at all and had received only welfare benefits she would have been entitled for the six months to $2,160. Thus because of the operation of this retrospective budgeting V.W. was deprived of any opportunity to save any money so that she could get through the month of July and in fact ended up receiving less than the minimal assistance which is given in New Jersey to welfare families. In addition, V.W. was expecting a child in the month that she received no income and could not get welfare to grant her emergency assistance.

It is imperative that Congress design a system which meets the need of the families who receive welfare. People who receive as little income as most welfare recipients do are unable to obtain sufficient resources to make it through a month they are suspended for welfare grants because of income received in prior months. It is unrealistic and cruel for the Federal Government to impose a system of retrospective budgeting on poor people who must eat everyday and who cannot wait a month or two in order to receive some sort of assistance and income.

I thank the committee for this opportunity to address it concerning the serious problems encountered by my clients. I hope that you will consider this statement and others so that the system can be reformed to better meet the needs of the recipient.

AUGUST 3, 1983.

JOHN J. SALMON,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. SALMON: My name is Pamela Coleman. I have been receiving AFDC for about a year and a half. My ten year-old, Kevin, has a small Saturday morning paper route from which he collects $2.50 a week, which he splits with his cousin. He only takes home about $5.00 a month from his paper route. I was recently terminated from the AFDC program because of these "earnings."

In February, 1983, I told my AFDC worker, Pamela Pridgeon, about my son's paper route. She told me not to worry about reporting it: that is was too small an amount to report and that it wouldn't change my AFDC benefits. She never required me to report that amount of monthly sheets.

Then I was switched to a new worker, Jackie Hayes. Ms. Hayes called me on June 20 to tell me that I must report Kevin's "earnings" on the July report. When I received the July monthly report, I sent the report to The Carolinian, the newspaper my son works for, so his employer, Mr. Jervay, the publisher, could verify the amount of earnings. (My son does not get pay stubs from his paper route. Therefore, I needed Mr. Jervay's signature to verify my son's earnings.)

When I received a second monthly reporting sheet from Ms. Hayes, I realized my son's employer, Mr. Jervay, had not yet mailed in the first monthly report that I sent to him (although I had given him a stamped, addressed envelope for it). I sent the second form back to Ms. Hayes with the amount Kevin made written in, but without Mr. Jervay's signature because there wasn't enough time before I would miss the second monthly report deadline. I wrote in, however, that I was waiting to get the original form back from the employer with his signature.

Ms. Hayes sent the form back to me as incomplete because Mr. Jervay had not signed it. I received it on July 16, with a note saying if it wasn't back and complete on the 18th, my benefits would be terminated. Mr. Jervay was out until Saturday, July 23, when he signed the report. It was given to me on Sunday, and I had it in Monday morning's mail.

I received a notice dated Monday, July 25, saying my AFDC benefits were terminated as of July 31, for not returning the monthly report on time. Ms. Hayes says

my completed monthly report arrived on the 26th. As soon as I received the termination notice, I requested a local hearing, and one was scheduled for July 29. Legal Services was able to send a representative to help me. My representative argued that there was no way that Kevin's "earnings" would affect my AFDC check or should be counted, both because it is so little money, and because Kevin is only 10 years old and goes to school full-time. I think it is unfair to terminate me for not properly reporting my son's approximate $5.00 earnings a month, since I did my best to cooperate fully. I was terminated from AFDC because Mr. Jervay failed to mail the monthly report to DSS on time.

I want my son to have the responsibility of this paper route, and he likes doing it. But I will tell him that he must give up the route if it is going to cause a lot of trouble each month and if it might cause me to lose my only income at this point.

Monthly reporting creates many problems, especially when you have to depend on someone else to return your form. If I was the only one responsible for giving the information, instead of having to rely on other people, it would be easier to complete the reports. I also do not think I should be responsible for reporting "earnings" like Kevin's that cannot affect my check and are not supposed to be counted. At least I should not have to repeat the same information every month when it does not change.

Sincerely,

PAMELA COLEMAN.

COUNTY OF FRESNO,
Fresno, Calif., July 15, 1983.

Hon. HAROLD E. FORD,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On June 28, 1983, the Fresno County Board of Supervisors passed the enclosed resolution supporting H.R. 2563, which authorizes demonstrations of integrated service delivery systems for human service programs. The Board of Supervisors believes the delivery of federally-funded assistance programs can be more efficiently administered. In the past, State and local governments have sought to improve coordination of the complex of Federal rules and regulations relating to the administration of the various human service programs. As the first Congressionally-mandated effort to simplify and integrate federally-funded assistance program requirements, this bill represents a progressive national attempt to eliminate program fragmentation and to more effectively meet the needs of recipients.

As Chairman of the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation and a member of the Subcommittee on Health, I urge you to support H.R. 2563 to promote more effective and streamlined administration of delivering the varied human service programs. If you have any questions, please let me know.

Sincerely yours,

ROGER F. HONBERGER,
Washington Representative.

[File No. 1463, June 28, 1983, Resolution No. 83-324]

NO. 6: BEFORE THE BOARD OF SUPERVISORS OF THE COUNTY OF FRESNO, STATE OF CALIFORNIA

In the matter of a pilot project to test an integrated human service delivery program—resolution urging passage of legislation.

Whereas, House of Representatives Bill Number 2563 is pending that would authorize the U.S. Department of Health and Human Services to establish four to eight state and local pilot projects to test integrated service delivery for all human service programs that are federal or federally assisted for which benefits or services are based on need or income qualifications, such as Aid to Families with Dependent Children, Food Stamps, Supplemental Security Income; and

Whereas, Fresno County is greatly interested in pilot project participation that would include or involve:

(1) the development of a common set of terms for use in all of the human services programs involved;

(2) the development for each applicant of a single comprehensive family profile which is suitable for use under all of the human services programs involved;

(3) the establishment and maintenance of a single resources directory by which the citizens of the community involved may be informed of and gain access to the services which are available under all such programs;

(4) the development of a unified budget and budgeting process, and a unified accounting system, with standardized audit procedures;

(5) the consolidation of agency locations and related transportation services;

(6) the standardization of procedures for purchasing services from non-governmental sources;

(7) the creation of communications linkages among agencies to permit the servicing of individual and family needs across program and agency lines;

(8) the development, to the maximum extent possible, of uniform application and eligibility determination procedures; and

(9) any other methods, arrangements, and procedures which the Secretary of Health and Human Services determines are necessary or desirable for, or consistent with, the establishment and operation of an integrated service delivery system;

Therefore, be it resolved that the Fresno County Board of Supervisors urges the passage of legislation similar in wording to House of Representatives Bill Number 2563, pending in the United States Congress, a copy of which is attached as Exhibit "A" and by this reference made a part of this resolution.

Be it further resolved that the Director of the Fresno County Department of Social Services is authorized to work for the passage of House of Representatives Bill Number 2563.

Be it further resolved that the Clerk of this Board shall forward a copy of this resolution to Linda McMahon, the California State Director of Social Services.

The foregoing was passed and adopted by the following vote of the Board of Supervisors of the County of Fresno this 28th day of June, 1983, to-wit:

Ayes: Supervisors Ramacher, Conrad, Koligian, Levy, Reich.

Noes: None.

Absent: None.

JEFF REICH,
Chairman, Board of Supervisors.

Attest:

DARLENE J. BLOOM,
Clerk to the Board of Supervisors.
By YVONE NUTTER,
Deputy.

STATEMENT OF MICHAEL V. REAGEN, PH. D., COMMISSIONER, IOWA DEPARTMENT OF HUMAN SERVICES, AND CHAIRPERSON, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

The federal social service and income security programs currently in operation were created in a piecemeal fashion through a series of periodic reactions to special concerns or calls for help. While we can pride overselves on our efforts to provide assistance to needy Americans, these separate responses to interrelated problems have ensured to formation of helping programs that are multi-layered conglomerates providing episodic assistance. Moreover, in terms of agency and legislative structure, no one person or committee is in charge of related programs. Instead, operation of the social and economic assistance programs reflects the overlapping of jurisdictions—federal and state, Executive and Legislative.

New federalism promised a chance for the state and localities to create unified approaches to the needs of their citizens. State and local governmental jurisidictions would have been empowered to design single programs to serve "muilti-program people." This promise was not fulfilled and instead of coordinated planning for and delivery of human services, we continue to operate programs that have duplications of services as well as gaps in service that leave some people in need of help.

These fragmentations in federal program are so servere that at the state level our chief administrative concern is to help clients sort through the maze of programs designed to accomplish the same basic purpose but each having exclusive eligibility criteria, different standards of need, varying benefits, etc. It becomes our job to see that the client is pointed to the one offering the best outcome. This involves making sure that the client is not disqualified, denied, or rendered ineligible for a program, service or benefit because he/she receives a lesser service or benefit from another program. Indeed, we must attempt to fit a client's needs to what the programs can supply rather than vice versa. To illustrate the need for state government to be the

guide and interpreter of federal programs for our mutual clients, witness the opening paragraph of a letter a county executive received from the president of a national consulting firm specializing in helping local governments maximize state and federal aid: [1]

"If you're a pregant veteran or a lactating mother who lives in a river bed subject to flooding, and who also happens to keep bees and raise angora goats, more than 30 Government programs would entitle you to cash assistance. On the other hand, if you are a local government you may qualify for many of the hundreds of federal grant programs with over $84 billion available."

The other major role of the state agency caused by fragmentation at the federal level is to fill in the gaps, i.e., to work with other state and local groups to identify areas of unmet need and structure programs—or bits and pieces of programs—to provide countinuity to the federal super-structure. This attempt as serving the whole community by shaping programs that plug holes in the federal programs is frustrating, difficult, time-consuming, and nearly continuous since it should be redone each time there is a change or a shift in the federal program.

Because of this state of affairs, I applaud Representative Campbell's bill, H.R. 2563, and the opportunities it offers to study integrated delivery systems. The National Council of State Public Welfare Administrators, (NCSPWA) has gone on record in support of H.R. 2563. The NCSPWA's comments—including concerns and suggestions for improvements—were orally presented to you on July 18 by Vice Chair Patricia C. Schramm of Deleware. I encourage you to address the NCSPWA's suggestions for perfecting the legislation and I pledge our willingness to work with you to do so. We urge the adoption of H.R. 2563 as the first step in planning and implementing a comprehensive human services system.

Thank you.

STATEMENT OF STATE SENATOR CHARLES BRUNER, CHAIR, SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE, IOWA SENATE

SUMMARY OF COMMENTS

The impact of the October 1981 AFDC changes with regard to earned income disregards had a pronounced, negative impact on AFDC working families in Iowa, and provided a powerful disincentive to seek employment or remain employed. The legislature recognized the problem, but the actions taken by the General Assembly to raise the standard of need necessarily could only slightly ameliorate, and by no means minimize, the problem. Restoration of the previous earned income disregard standards is needed to remove the anti-work bias in the present AFDC system in Iowa.

From an administrative perspective, the monthly reporting provisions under AFDC and the retrospective budgeting procedures have proved onerous. The General Assembly has established a general record in opposition to monthly reporting and to retrospective budgeting. Providing states the flexibility in determining the appropriateness of these procedures would be welcomed.

TEXT

While there are many issues I could address with respect to H.R. 2354, H.R. 2563, and H.R. 3512, I am limiting myself to two issues upon which I feel the Iowa legislature has the most interest and upon which there is significant legislative history. These are the earned income disregard question and the monthly reporting/retrospective budgeting question.

The revisions made in October, 1981 with respect to earned income disregards and the 150 percent of need cut-off from eligibility for AFDC had particular impact in Iowa, a state which does not exercise the option of including under medical assistance a "medically indigent" program. The 150 percent of need cut-off and the earned income disregards had the immediate consequence of raising the barrier for a family on AFDC to clear to get off AFDC.

A typical example of the impact of the changes in Iowa (given Iowa's payment level and standard of need) is reflected in an article I prepared with the assistance of our state department of human services which appeared in the *Des Moines Register* on September 18, 1981:

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[1] Letter from Joseph H. Hale, president, International Systems, Inc. Atlanta, Ga., Sept. 5, 1978.

"The following is an example of how one new federal policy will affect the clients of Iowa's ADC program. . . .

"In January, Joan White's husband left her and her two children, Bobby, 3, and Ann, 2. They had no resources outside her husband's income, and Joan was forced onto Iowa's ADC program.

"Four months later, with the assistance of the Work Incentive Program, Joan was able to get a clerical job with gross pay of $600 a month. She pays child-care expenses of $25 per child per week, or $215 per month.

"Joan receives a $300 ADC check monthly, and a Medicaid card entitling her and her children to virtually free medical care. She also receives $9 a month in federal food stamps.

"Altogether, when her shelter ($225 per month), child care ($215 per month) and FICA and withholding taxes ($74 per month) are subtracted from her grant and salary, Joan has $395 each month to feed and clothe her family.

"Under new federal law [the 150 percent of need cut-off and revision of earned income disregards], however, Joan's $600 gross income is $60 too high for eligibility for the ADC program. On Oct. 1, Joan will become ineligible for both ADC and Medicaid (whose eligibility in Iowa is tied to ADC eligibility). She will have two options: to keep her job and make out as best she can, or to quit work and go back on straight ADC and Medicaid.

"If Joan keeps her job, she will be eligible for more federal food stamps ($[illegible] per month), but no other government assistance. After shelter, child care, FICA and withholding expenses are subtracted, her monthly available income will be $171, and all medical expenses will have to come out of that amount.

"If Joan quits her job, she can remain on ADC and receive a $360 monthy ADC grant and approximately $100 in food stamps. After shelter costs are subtracted (she no longer will need someone to care for her childrem while at work, nor will she pay taxes), her monthly income will be $235 and she will recieve Medicaid money to cover medical costs.

"Whatever Joan's choice, she and her children will be dramatically worse off. . . .

"In a final irony, if Joan chooses the economically logical option of quitting her job to stay on ADC, taxpayers will pay more for her support than they do under the present system—$460 per month in ADC and food-stramp assistance, vs. $309 per month. Additionally, Joan will not be contributing the the economy or paying any federal or states taxes."

At the time that article appeared, the federal changes had not yet gone into effect, and the example was a hypothetical one. Since that time, however, it has become very clear in Iowa that the example is a typical one; and that families in Iowa are being faced with such choices.

The problem is exacerbated in Iowa because we have not exericised the option to include a "medically indigent" program within our medical asssistance program. It makes the hurdle one must clear to find suitable employment that pays enough to get off AFDC an extremely high one.

Since the October, 1981 changes, the Iowa legislature has responded by raising the standard of need above the payment standard. This has the effect of reducing the effect of the 150 percent of need cut-off slightly. While the standard of need has been increased one-third above the actual payment standard, however, the 150 percent of need cut-off still is drawn at a very low level. For a family with no income outside earned income, it means that some families reveiving $100 or more in AFDC benefits will become ineligible entirely for AFDC if they receive as little as $20 in additional earned income. Such a non-graduated system simply does not make sense.

In my estimation, from the client's perspective and from a social policy perspective, the October 1981 revisions to the earned income disregard were the most damaging revisions to the AFDC program. The older system should be restored.

The second point I would like to address is the provision in H.R. 3512 that would allow states the option of requiring monthly reporting for AFDC and food stamps, and would give states the flexibility of selecting retrospective budgeting or a prospective budgeting system if they so choose.

Mandating monthly reporting on AFDC has produced a significant increase in administrative costs in Iowa. If extended to food stamps, the costs would be extremely high. In other testimony before Congress, Michael Reagen, Iowa's Commissioner of Human Services, has gone on record against mandatory monthly reporting. Our state has repeatedly sought exemptions from the present monthly reporting requirement for individuals without a history of earned income.

The legislators serving on the appropriations subcommittee on social services have supported the commissioner's view. As chair of that subcommittee, I have stud-

ied the actual reports and the cases where reports have resulted in terminations or reductions in client payments.

While I see the need to monitor client earnings and keep client files updated, I do not believe the present system of mandatory monthly reporting for all AFDC recipients effectively serves this purpose and I believe applying such a system to food stamps (the state of Iowa presently is opperating under a temporary waiver from this requirement) would be administratively disastrous.

From my experience, present monthly reporting provisions serve to inconvenience clients and occasionally remover them from eligibilty simply because of a failure to file or a loss of forms. In Iowa, we have a well-developed system for tracing client earnings apart from monthly reporting forms; and the "savings" to program from monthly reporting are ones that do a real disservice to clients.

In my estimation, it much better serves the purpose of tracking recipients' earnings to allow states to develop their own procedures, subject to their particular program structure.

Finally, with respect to retrospective budgeting, I believe the same argument applies. In fact, the Iowa legislature has taken considerable time reviewing the retrospective budgeting system prior to the federal requirement that that system be used. Our department of human services, as early as 1979 has proposed using a retrospective budgeting system. After hearings, debate, and discussion, the Iowa legislature included in its 1981 and 1982 appropriations bills language restricting the department from using retrospective budgeting unless mandated by federal law. I would like the opprotunity to agin review the retrospective budgeting system for its applicability to Iowa's AFDC program and for its fairness to clients.

STATEMENT OF ETHEL YOUNG, CHAIRPERSON, LOW INCOME PEOPLE TOGETHER, CLEVELAND, OHIO

It is a great contradication in federal policy that persons on public assistance are both punished if they do work, and punished if they don't.

Mr. Ford's bill H.R. 2354 identifies one injustice in welfare policy, that of limiting earned income disregards so that a family trying to work to escape welfare can't do so. It is this kind of rule which forces families to not report earned income because to do so would cut welfare payments below the survival point. Keep in mind that on public assistance a family eats on 48¢ per person per meal, and that other expenses far exceed the merger ADC check a mother receives. A mother in Ohio, for example, on ADC with two children receives $263.00 a month. How is she to make ends meet with a modest $175 rent, $25 electric bill, $75 gas bill (and believe me this is low), and $10 for toliet paper, soap, etc. etc. she can't buy with food stamps? She already has over spent the amount the government says she can live on. And so she gets a little housework to feed her family and doesn't report it. The government would call this fraud. We call it survival, and its about time the government allowed low income people to survive by working and getting public assitance.

One good feature of this bill is the disregard of earnings of children. Our welfare department last fall, for example, annouced that school age children above the tenth grade were ineligible to receive clothing grants for school because they could, according to the welfare department, get a part-time job to earn extra money. This is not to say jobs are actually available for youth, because they are not, but a young person on his or her mother's ADC grant couldn't earn "extra money" without either reducing the grant or no reporting it.

Mr. Ford's proposed increase in Title XX funds is very connected to reducing the welfare rolls trough work in the area of Day Care. Here in Cuyohoga County, because of the Federal reductions in Title XX day care, all non-public assistance working families (in other words those who for a family of four earn over $10,500) are now ineligible for Title XX day care. This means that while on public assistance a mother can receive day care so she can get training at for example a beauty school. If however, she then tries to get a job actually doing hairdressing for which she is trained, she will lose her day care unless she takes a job on exactly the same day she graduates from school. This puts her back where she started from, unless she puts her children in family or sub-standard care. And most mothers will choose to live on welfare and know their children are safe than to endanger them daily so they can work. Hopefully an increase in funds for Title XX would change some of this king of contradiction that traps people on welfare. Our feeling is, however, that an increase of only $300 million is not enough. We are seeing reductions of about $4 million in our country alone from 1980-85. If this is happening elsewhere, then it appears to us that more money is needed.

On the issue of integrated service delivery, we can only say that it is extremely important that low income people get services they need. Today in Cleveland scattered services are difficult because we cannot afford a $1.00-85¢ bus fare. Then again, the Cuyahoga County Welfare Department is very centralized downtown and this pesents another problem: over-crowing. There actually have been days that people with appointments have been turned away from the building because too many people were inside according to the city fire code. Under no circumstances should the Ways and Means Committee allow states to set up centralized or intergrated service delivery stems which are really a way to reduce payments to eligible people who simply will be unable to apply for them. Also, we are unclear whether you intend to allow states to co-ordinate welfare and unemployment offices to reduce the incredible run-around everyone gets going back and forth to each in order to prove income levels to whichever department. A pilot program which did this alone would be worth doing. Also, in rural, small counties, many welfare mothers have reported that a consolidated chidlren's services/welfare department is very quick to take children out of welfare homes and away from their mother, while leaving actually abused children in higher income homes. This injustice should not be allowed to incease under this pilot plan.

As per Mr. Stark's legislation (H.R. 3512), Low Income People Together opposes reductions in payments to ADC-U households. Pilot programs described here are experiments in misery for families who despite tremendous pressures of unemployment have stayed together. My own husband is epileptic, and has great difficulty finding employers who will hire him. Our family needs ADCU 12 months a year, and reducing payments to only six months out of twelve will not make him employable in the eyes of most employers. Do we have to be evicted from our apartment and live in the street hungry before the federal government feels we are needy enough to get a small welfare check?

We support extension of ADC benefits to children 20 years old and in school. This applies to my own son, who will continue to live at home during those years and I will still have to feed him.

We support the exemption from registering for workfare or training women who are six months pregnant. Certainly they have more important things on their mind, and will not be eligible for either workfare or training for a good while after birth anyway.

LIPT certainly supports state option for Monthly Reporting and Retrospective Budgeting. We have done considerable research on this matter. In Milwaukee, 4400 families lost benefits because of this paperwork nightmare, many, many of which were eligible to continue receiving them. In rural North Carolina, families cannot get aid for months because the welfare oeprtment is completely overwhelmed by the new program.

This suffering is being caused by a program which claimed to reduce error rates (where a family receives money they aren't entitled to) but is simply creating another kind of error (where a family is denied a check they are eligible for). The tragedy is that people go hungry, lose modical care, and suffer with monthly reporting like never before. Research shows that the program does not save money because the people cut off the rolls have to reapply and rolls do not decrease. The administrative costs are enormous. And the forms themselves are incredible. I suggest that members of the Committee look at this form from Tennessee. This should tell you a lot about the problems with Monthly Reporting. State option, anyway, will allow the present face-to-face interview to take place regularly here in Cleveland where we do not have fancy computer equipment, a method which has been proven more efficient than montly reporting if caseworkers are allowed a reasonable caseload.

Tennessee Department of Human Services
MONTHLY REPORT

This REPORT MONTH is _____

INSTRUCTIONS

- Do not complete, sign, and date this form until the last day of the REPORT MONTH.
- Return (or mail) this form to the local Human Services Office by the 5th of the month after the REPORT MONTH.

If you have a new name, address, or phone number, please tell us here:

New name _____
New address _____
New phone number _____

HOW THIS AFFECTS YOU

- We must have this report to see if you can get AFDC/Medicaid and/or Food Stamp benefits.
- What you report on this form may cause your benefits to be more or less or to be stopped.
- If this form is not complete or if you do not return it on time, your benefits may be stopped, or cut back or late.

HOW TO FILL OUT THIS FORM

- Read each part carefully and answer each question YES or NO. If you mark /_/ YES, you must fill in the extra information and send any proofs asked for. If you need more space, send a separate sheet of paper with the extra information.
- If you have questions or need help with this form, call the local Human Services office or call toll free 1-800-342-1234 (Davidson County residents should call 741-6767).

(1) CHANGES IN YOUR HOME. Tell us if anyone in your home had an important change during the REPORT MONTH. Examples of important changes are:

- moved in or out of your home
- got married or divorced
- is age 16 or over and started school, quit school, or is only going part time
- is away from home for awhile
- had a baby or ended a pregnancy

▶ DID ANYONE HAVE SUCH CHANGES DURING THE REPORT MONTH? /_/ YES, fill in below /_/ NO, go to (2)

Person's Name	What was The Change	Date of Change

(2) INCOME FROM WORK. Tell us if anyone in your home worked, stopped working, or received income from work during the REPORT MONTH. Send proof of all earnings received during the REPORT MONTH and any loss of earnings. (Examples: Send 3 pay stubs if you were paid 4 times; send employer's statement if you do not have pay stubs; send layoff slip if you got laid off, etc.)

- Self-employed people - enter gross income, type of business, send an extra sheet of paper listing costs of doing business, and send proof of income and costs.

▶ DID ANYONE WORK, STOP WORK, OR RECEIVE INCOME FROM WORK?

/_/ YES, fill in below /_/ NO, go to (3)

Person's Name _____ Did this person /_/ start work _____ (give date) or /_/ stop work _____ (give date and reason)

DATE PAID	HOURS WORKED	AMOUNT EARNED BEFORE TAXES	TIPS/ COMMISSION	EMPLOYER'S NAME AND ADDRESS

- If this person paid someone to take care of a child or disabled adult so he/she could work, fill in below. If the cost is new or has changed, send proof such as receipts

Name of Child or Disabled Adult	Amount Paid	How Often Paid	Name of Person Paid

Person's Name _____ Did this person /_/ start work _____ (give date) or /_/ stop work _____ (give date and reason)

DATE PAID	HOURS WORKED	AMOUNT EARNED BEFORE TAXES	TIPS/ COMMISSION	EMPLOYER'S NAME AND ADDRESS

- If this person paid someone to take care of a child or disabled adult so he/she could work, fill in below. If the cost is new or has changed, send proof such as receipts

Name of Child or Disabled Adult	Amount Paid	How Often Paid	Name of Person Paid

2163

(Turn to back of page)
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page four

(3) OTHER INCOME. Tell us if anyone in your home got or stopped getting income during the REPORT MONTH that was not from work. Examples are: SSI, VA, Social Security, child support, unemployment or workmen's compensation, grants/scholarships, or any other cash received in the REPORT MONTH. Report the amount of each payment. If the income is new or has changed or stopped, send proof. This may be things like award letters or a statement from the source of the income.

▶ DID ANYONE GET OR STOP GETTING ANY OTHER INCOME? ☐ YES, fill in below ☐ NO, go to (4)

Name of Person Receiving Income	Source of Income	Date Received	Amount

(4) PROPERTY OR OTHER RESOURCES. Tell us if anyone in your home bought, sold, traded, gave away, or received any property or had other changes in resources during the REPORT MONTH. Examples of property and resources are: car, truck, land, house, life insurance, stocks, bonds, bank accounts, etc. Send proof of the change such as deed, bill of sale, etc. It will be returned to you.

▶ WERE THERE ANY CHANGES IN PROPERTY OR OTHER RESOURCES?
☐ YES, fill in below ☐ NO, go to (5)

Kind of Property	What Changed?	Date	How Much You Got/Paid	How Much You Still Owe

IF YOU WERE GIVEN PROPERTY, HOW MUCH WOULD IT COST TO BUY? _____(Amount)

(5) HOUSING/UTILITY COSTS. Please answer the questions below so we can see if part of your housing, utility, and/or medical bills can be used to figure your food stamps. Send proof of costs if requested. If your household does not get food stamps, go to (6)

▶ Has there a change in your rent or house payment, property taxes, insurance, etc.?	☐ YES, tell new amount _____ and send proof such as rent receipt, tax, or insurance notice, etc. ☐ NO
▶ Do you get bills for heat, lights, sewer, or water, etc.?	☐ YES, tell amount for REPORT MONTH _____. Your worker will contact you if proof is needed. ☐ NO
▶ Do you pay for a telephone?	☐ YES ☐ NO
▶ Did anyone in your home who was age 60 or older, or receiving SSA disability payments or SSI have medical costs over $35 during the REPORT MONTH?	☐ YES, give name of person _____ and send proof such as receipts, etc. ☐ NO

(6) EXPECTED OR OTHER CHANGES. Tell us if there have been any other changes or if you are expecting any changes which might affect your case.

▶ ARE THERE ANY EXPECTED OR OTHER CHANGES TO REPORT? ☐ YES, explain below ☐ NO, go to (7)

(7) SIGN AND DATE THIS FORM ON OR AFTER THE LAST DAY OF THE REPORT MONTH. You must sign this form. If someone filled out this form for you, they must also sign their name.

I UNDERSTAND THAT:

- My AFDC/Medicaid and/or Food Stamp benefits may change or stop because of what I have told on this form.
- I have a right to ask for a fair hearing for any action I believe is not right.
- By signing my name, I am saying that I have told the truth the best I know. I understand that if I have not told the truth, I may be charged with fraud. If I am found guilty, I may have to pay a fine or be put in jail, or both.

▶ SIGN YOUR NAME (OR MARK)

Today's Date	Phone Number Where You Can Be Reached

Witness or Mark: If an X was used	Date	Person Completing Form/Witness to Mark	Date

* As GUARDIAN or REPRESENTATIVE, I understand that I am responsible for reporting any changes in circumstances for the applicant/recipient. I have recorded the above person's true circumstances.

Signature of Guardian or Authorized Representative	Today's Date

(8-1179 (1-82))

REIMBURSEMENT OF EXPENSES FOR DAY CARE AND TRANSPORTATION EXPENSES IN COMMUNITY WORK EXPERIENCE PROGRAMS

Low Income People Together recently travelled to Marion County here in Ohio to observe the CWEP program there. We visited five work sites. At every site, participants said they were hitch-hiking to work because the $25 they receive for transportation and other costs is not enough at all. The County Welfare Director agreed. So we agree that this section in Mr. Stark's bill is an improvement over the $25 limit previously. It would also appear that mothers who work out their own day care in order to do CWEP would be able to be reimbursed for some expenses. This is needed and an improvement.

EMERGENCY AIDE TO THE HOMELESS

Many of our members live or have lived outdoors now in Cleveland. Because the weather is warm many others can live in homes without gas (literally thousands in our county). This coming winter, however, what is to happen? These people will be in shelters which are necessary to prevent death through exposure. Shelters in Cleveland at any given time last year served 27% new families and individuals, not a derelict population imagined by some, at an annual rate of 3465 people. The unemployed in our city need these shelters, and more funds for them is a good idea. While $1.2 million was raised here locally from private sources to shelter the homeless last year, it is more and more difficult to raise that kind of money when there are so many other great needs. We'd like to comment that in Cleveland the Emergency Shelter Coalition, an ad hoc group of community, city, county, service and private individuals and groups has monitored this problem well. It is a very difficult one for one agency or government to do it alone, and your committee might encourage broad-based community involvement in shelters for the homeless so that the goal remains shelter and no one freezing, not simply spending money.

EFFECTS OF THE COMMUNITY WORK EXPERIENCE REGULATIONS OF THE 1981 OMNIBUS RECONCILIATION ACT

On June 30, 1982 the Ohio Legislature passed a sweeping workfare law which would require about 175,000 welfare recipients here to do CWEP work assignments. This program has been delayed three times since, now being delayed until September 1, 1985 while pilot programs can be done. Why did the Republican majority delay the program in November 1982 and the Democratic majority delay it again twice in 1983? Because supporters of the program cannot prove that it reduces welfare rolls, and the cost of the program state-wide increased from $17 million (actually budgeted in June 1982) to $125 million to $230 million. This kind of money we argue, should be spent on jobs in a state with 700,000 unemployed. But workfare is not such an employment program.

After spending months battling details of Ohio workfare (which would have allowed a mother with children over 1 year to work watching other people's children but not her own, as first drafted) LIPT decided after the pilots were begun to visit one. We visited the one reputed to be the best in the state, in Marion, Ohio. There we found:

1028 participants in the program, mostly on GR (General Relief) or ADCU in June 1983.

37 placed in jobs in June, but an undetermined number into CETA "jobs" which we don't consider real jobs because they are so temporary. Supervisors at work sites told us that "the best" workfare participants get CETA jobs.

The Ohio Bureau of Employment Services refusing to take applications from welfare recipients (in this case an unemployed father), telling them to go onto workfare. This particular father refuses to dig a ditch he says if the state won't help him get a real job. There are, by the way, no job openings in ditch digging or tree cutting in Marion County nor are any expected.

Workfare participants at the dog pound do not have rabies shots even though all other regular workers do. The county won't pay $45 for them. One worker told us he had been bitten three times.

Twenty men cleaning the Qu Qua ditch, which had not been cleaned since 1947, using three chain saws, two regular and one axe. Because they wore tennis shoes one was hospitalized the day we were there (July 18) with a fence wire in his foot. Another showed us where he cut a 3 inch tear in his jeans with a saw. All complained that the $25 they receive monthly doesn't even cover transportation to work, much less shoes and jeans.

Every person we talked to (all men) wanted to work, and did not want something for free. But they cannot live on welfare incomes. General Relief in Ohio is $108 monthly maximum.

The supervisor at the City Garage where 400 workfare men are assigned monthly said they are doing work of regular employees, and of regular employees who are laid off. He sends them home early most days for lack of anything to give them to do. They don't use heavy equipment.

The County Home which is using workfare workers under the job classification of "Nurses Aide Assistant". We were told that this worker was about to return and then told she hadn't been there all day. We couldn't figure what work she could do that would not be done by a regular worker. We were told she cleaned bathrooms and kitchens. The Home, by the way is an AFSCME unionized facility, with a beginning wage of only $3.37 an hour as it is.

To its credit, the welfare department does not want to begin workfare placements at a "new" steel company which appeared paying much lower wages after a unionized plant closed last year.

The welfare department has no statistics about the rate at which welfare recipients find their own jobs and get off the rolls without workfare. Therefore the job placement statistics from her program are not meaningful.

50–60 percent of CWEP jobs in Marion County are general labor according to the welfare department.

This kind of safety, displacement, and poor job placement problems will not decrease if workfare comes to Cuyahoga County where 42,000 persons would participate. It is a cruel program for anyone who wants a real job and wants to live decently. What kind of mentality allows welfare recipients to work at a dog pound without rabies shots? What kind of government encourages this kind of activity by making it mandatory?

One of the things which we feel we were able to do in Marion County is to go beyond the hype for this program by some officials. We are low income people and we talked to people in the program as equals. We went to worksites we chose, not to those we were supposed to be ushered to. And we would encourage Congress to do this kind of investigating at other CWEP worksites. This would convince you that if you want a jobs program, workfare is not it, and it should be repealed.

Thank you for this opportunity to address these issues.

MAINE ASSOCIATION OF INTERDEPENDENT NEIGHBORHOODS,
Bangor, Maine, July 27, 1983.

JOHN SALMON,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. SALMON: I am writing to express the strong support of the Maine Association of Interdependent Neighborhoods (M.A.I.N.) for H.R. 2354. M.A.I.N. is a statewide coalition of groups concerned about issues of importance to low and moderate income people. AFDC is a program of great importance to us as it is the only means of support for many of our members.

In January of 1982, 4,064 families were dropped from the State's AFDC rolls. Of this number, 3,212 were closed because of two new federal policies: the 150 percent gross income test and the elimination of allowances commonly referred to as work incentives of the $30 and ⅓ disregard. Those closings represented 16% of the State's active caseload. Although we were able to help mitigate some of the effect of this drastic reduction by supporting legislation which successfully changed the method of grant calculation and increased the standard of need, the great majority of these families continued to be ineligible for benefits.

During December, January and February of 1982, our members and legal representatives traveled thoughout the State meeting with groups of AFDC recipients whose grants were reduced or terminated. We saw first-hand the anguish and fear of people in situations where they couldn't pay their rent or provide medical care for their children. Many quit jobs that placed them above the new eligibility guidelines out of fear that they wouldn't be able to meet medical needs or because the loss of the work incentive and other deductions resulted in their receiving real wages of .30 to .60 cents an hour. Others worked longer hours than ever before, sacrificing even more of the limited time that they had with their children and ran up medical bills that they never had before.

A study of this problem, recently completed by the University of Southern Maine, found that in relation to health care mothers, "struggled to get care for children generally not covered by insurance and frequently went without care themselves.

They could not afford deductibles or higher premiums for family coverage." [1] In most cases the medically needy program did not seem to fill the gap. "Family relationships were more strained and this was attributable to less income, more time away from home, accumulating debts and discouragement." (ibid.)

The study concluded that "if it was the intent of federal policy to discontinue assistance to families whose earnings were sufficient to meet their needs, the policy fails. Many needy families were terminated. For those who were closed their overall gross income was worse in October 1982 than it was in December 1981. In part, this is due to inadequate earnings. Nine months after closing, 24 of the 38 (63 percent) families who stayed off assistance had lower earnings. In addition they lost medical and other important-in-kind benefits. As for those who could not sustain self support and came back on the rolls, all of them were worse off in October 1982. They had fewer earnings than they had before they were closed and they had an accumulation of bills they did not have in December 1981. This does not support the thesis that only those who were not truly needy were terminated nor that only the truly needy would return to the rolls." (ibid.)

M.A.I.N. has a strong tradition of concern that people be given the opportunity for self-help that will eliminate their need for public assistance. We have been a strong advocate for job training and education programs for low income people. Legislation initiated by us and referred to as the Job Opportunity Act of 1981, has become a nationally respected model for groups interested in self-sufficiency through education and training. This year we followed with a successful legislative effort to establish registered apprenticeships in state government for AFDC recipients.

We strongly believe that the OBRA 1981 changes in the AFDC program were contrary to this goal. Rather than creating real self-sufficiency, they pulled the rug out from under persons working to achieve self-support who felt that they were just beginning to get ahead with the benefits of pre-1982 incentives and disregards. The result instead was discouragement and abandonment of employment.

Finally, I would like to briefly mention the problem of monthly reporting and retrospective budgeting, as we believe that that concept as well creates a disincentive to find and keep employment. The requirement to monthly report places an unneccessary burden on families already burdened with multiple reporting requirements and difficult schedules created by balancing employment with child rearing as a single parent. It has the effect of eliminating approximately 100 families from the rolls monthly, many of whom we believe continue to be eligible but who have run afoul of bureaucratic requirements.

Retrospective budgeting is particularly onerous. By its very nature it is designed to provide amounts of assistance unrelated to the person's actual circumstances in the month of receipt. It particularly harms families where the parent loses his/her job. In this situation their AFDC check does not increase to compensate for this loss for two months. Faced with this eventuality, many recipients are unwilling and unable to accept offers of employment in temporary jobs or at places where they may face layoffs. Since many of the employment opportunities available to AFDC recipients in Maine are in seasonal industry or industries such as shoes or textile, where there are frequent layoffs, this is a serious problem.

We attach copies of letters from two AFDC recipients who describe problems which we believe to be representative of many.

We sincerely hope that the Committee will consider our comments in its deliberations on H.R. 2354. We urge a favorable report on that legislation.

Sincerely,

JUDY GUAY, *President.*

Attachments.

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[1] "Tracking the Impact of Federal and State AFDC Policy Changes on Families in Maine," Human Services Developm. Inst. Center for Research and Advanced Study, University of Southern Maine, June 1983.

[Attachment]

JULY 23, 1983.

JOHN SALMON,
Chief Counsel, Committee on Ways and Means,
House of Representatives.

I am writing to you about the Changes I think are needed in the A.F.D.C. Program.

I applied for A.F.D.C. in January 1983, I was working part time as a waitress earning approx. $300.00 a month which out of that I had to pay a babysitter transportation and clothing. I was accepted and I received a check for $74.00 for February at the end of February I had to fill out a monthly report. I hadn't received my last pay stub from work yet—I sent my monthly report in with a pay stub missing—I later received a letter saying I'd been shut off from A.F.D.C. and medicaid, during the time I had no medicaid I had to bring my daughter to the hospital and therefore I have a $68.00 hospital bill I have not been able to pay. When I got my pay stub I took it to the A.F.D.C. office but they said it made no difference.

When April came I reapplied and I was told I made to much money, so I was ineligible for A.F.D.C.

I applied again in May 1983 with less work and less wages—I was accepted. I was supposed to receive a retroactive check for May & June for $112.00 which I have not yet received. I did receive a check for $83.00 for the month of July. I stopped working all together in June so therefore I will receive $159.00 for the month of August. I was told that my June check was to reflect my earnings in May and my August check to reflect my earnings in June. I have not worked for these two months so the $83.00 and the $159.00 are my total income for July and August.

This retrospective Budgeting has been a real hardship for me.

Sincerely,

SANDRA PAQUIN.

[Attachment]

JULY 22, 1983.

Mr. JOHN SOLMON,
Chief Counsel, Committee of Ways and Means,
U.S. House of Representative.

I am a single parent, one child family on AFDC. My son Justin, now 2 years old, was born with a very serious congenital heart disease, a ventrical septal defect. Since my son's birth, his health and well being are my first concerns; and priorities. When I first applied for AFDC in August of 1981, I received a grant of $207.00 monthly and medicaid. At a general increase my grant did go up to $241.00 monthly. I was not working at this time because of my son's illness, he needed my complete care and attention twenty-four hours a day.

As Justin appeared to be getting stronger, I first started working in the fall of 1981. it was a forty hour a week, minimum wage job at a shoe factory in town. I lost my $241.00 monthly grant but still received my medicaid. After approximetely three weeks, I was forced to quit work because my son became very sick once again.

In February of 1982, again I felt my son was well enough to go back to work I started a job with CETA, training as a Clinical diet Aide at a neaby hospital. In June my CETA job expired and the hospital hired me for an 8 hr. a week job at $4.35 an hour.

This was great because my Grant and medicaid were not threatened in the least bit. My son at this time was still seeing three different doctors, for his heart problem regularly.

In Sept. of 1982 work offered me an increase of 24 hrs. a week and $4.43 an hr. At this time I was still at my parents house, and things weren't going so well there. They are older and with a baby in the house, we were becoming a burden. With the increase in hrs. & pay, and the help of AFDC I throught I could manage a $300.00 a month apartment. In November after moving into the place, I was shut off from AFDC, because I made too much money. I was on a waiting list for H.U.D., at this time, but the wait was a 1½ year wait from the time I signed up.

I didn't receive AFDC from Nov. until March, I believe, and was only making $180.00 every 2 weeks from work and $78.00 food stamps a month. I did also receive Medicaid Benefits but was being threatend every time I went in for a review that it could be taken away, because I made "too much money." Because of Justin's health and the tremendous medical bills he had, this was very frustrating and scarey for me after barely making ends meet for so many months and having his medicaid

threatened. I ended up quitting my job to secure the fact that Justin would be eligible for medicaid and my bills would be paid by a monthly grant coming in.

I now receive $241.00 monthly $92.00 food stamps, and my medicaid. Thank you for listening.

Sincerely,

JOANNE VACHON.

STATEMENT OF MASSACHUSETTS COALITION FOR BASIC HUMAN NEEDS

The following statement is submitted by the Massachusetts Law Reform Institute, 2 Park Square, Boston, MA 02116 (617-482-0890) in its capacity as counsel for, and on behalf of, the Massachusetts Coalition for Basic Human Needs (CBHN).

SUMMARY OF COMMENTS

CBHN is strongly supportive of the goals sought to be attained by the bills introduced by Representatives Ford, Cambell and Stark. Further, they are generally supportive of the mechanisms chosen to achieve those goals. However, the Coalition has suggested certain additions or changes which it believes would strengthen the likelihood that the legislation's stated aims will in fact be reflected in the resultant A.F.D.C. program. Toward this end, CBHN has suggested that certain federal standards be included in any approved demonstration projects (guaranteeing, e.g., that recipients end up no worse off under the demonstration project than they would be without it), that various client protections (like grant supplementation provisions) be made mandatory, and that a few of the proposed amendments (e.g., the one regarding the imposition of protective payments) be reworded or deleted.

Finally, the Coalition has included comments about the terrible adverse effects that retrospective budgeting has had on the eligible A.F.D.C. client population. It is CBHN's recommendation that this system of budgeting be abandoned in favor of the more sensible and humane prospective model that it replaced.

The comments that follow will address specific subjects covered by one or more of the pending bills and, where appropriate, suggest how those bills can best be harmonized.

INCOME CALCULATION

The Coalition strongly supports the efforts of Representatives Ford and Stark to amend § 402(a)(8) of the Social Security Act. The methods suggested by the two bills differ somewhat in approach, but both seem designed to restore to the A.F.D.C. program an actual incentive to work. Certainly, increasing the work related expenses deduction to 20% (or $175) is a positive step in that direction. The 20% figure at least approximates the actual amount that is removed from the income of the working poor. Any lesser figure simply ignores reality and thus assumes income that is not in fact present. Increasing the $30 and ⅓ deduction to $50 and ⅓ of earned income is another very useful change designed to encourage people to seek employment and to allow them to maintain the jobs so located. Consequently, the Coalition offers whole-hearted approval of both these provisions of H.R. 2354. CBHN additionally supports the amendment to § 402(a)(8) suggested by H.R. 3512, which would apply the $50 and ⅓ deduction before child care expenses are considered. This is an enlightened change that recognizes the numerous, substantial, and often hidden costs that are faced by working mothers who cannot arrange free child care. Representative Stark's proposal on this issue should thus be incorporated with those contained in H.R. 2354.

One provision with which the Coalition takes exception in Representative Ford's bill is the one that would allow states to elimate both the $50 and ⅓ deduction and child care expenses from the A.F.D.C.-U program. The Coalition realizes that Congress is acting under severe budgetary constraints and that certain savings are therefore necessary. It certainly seems rational to assume that most two-parent families with one working parent will be able to provide their own child care arrangements, and perhaps a child care deduction for that group is unnecessary. However, no similar logic would seem to support the elimination of the $50 and ⅓ deduction for this same group. The A.F.D.C. program should afford them the same incentive to maintain employment that is offered other recipients. Thus, the child care deduction might rationally be removed for this group, the $50 and ⅓ deduction should be maintained.

Both H.R. 2354 and H.R. 3512 recognize that the current treatment of the earned income tax credit (E.I.T.C.) in § 402(d)(1) is inequitable. The Coalition urges that the

treatment proposed by Mr. Stark be adopted. The E.I.T.C. is not in fact a credit, or any benefit at all, if it is used to reduce a family's income dollar for dollar. As the purpose of the credit is to assist working families who despite their work have very little income, little purpose is served by excluding from the benefit of that credit the very poorest of those families. Consequently, C.B.H.N. supports the exclusion of the tax credit as A.F.D.C. income, just as it is excluded as income by the I.R.S.

Another current area of inequity is also addressed by H.R. 3512. Representative Stark has proposed that § 402(a)(17) be amended to allow states to recalculate the period of A.F.D.C. ineligibility caused by the receipt of so-called lump sum payments when changes in family circumstances so warrant. While any change in the current draconian lump sum provisions is to be welcomed, the proposal in H.R. 3512 does not go far enough. There is simply no rational justification for treating lump sum income differently than any other income. It should be counted as income in the month received, and as an asset if any remains after the month of receipt. Thus, people retaining large sums would be disqualified because they have too much money, but those who no longer have more than the asset limit would not be disqualified because they once had to much.

The adsurdity, and inequity, of the current system is perhaps best illustrated by its effect on poor inhabitants of substandard housing. In Massachusetts, such tenants can be awarded rent rebates because their apartments have been found to be more or less uninhabitable. The theory behind such rebates, of course, is to allow for repairs or to reimburse for the additional expenses incurred by the tenant due to the substandard conditions (e.g. lost heat through broken or non-existent windows). However, if the tenant is a recipient of A.F.D.C., as is ofter the case, he or she is in effect deprived of the protections offered all other Massachusetts tenants; for any "lump-sum" rebate will result in a long term disqualification from assistance. Thus, far from affording the tenant an opportunity to repair or to catch up on outsanding bills caused by the inadequate housing, the rebate will merely cause misery and a disruption of the family's support system. Such a result is wholly inconsistent with the A.F.D.C. program's avowed purpose of allowing children to be raised decently in their own homes.

Consequently, the lump sum provisions of § 402(a)(17) should be eliminated entirely. If not, lump sums received as recompense for past wrongs and/or incurred expenses should be excluded from coverage. At a minimum, states should be required to recalculate any remaining disqualification period when recipient's circumstances have changed.

Finally, the Coalition is strongly in favor of Representative Ford's proposal to repeal § 402(a)(18). The 150 percent cap on income has left many needy families without assistance. Further, as discussed later in this comment, it often operates to negate any conceivable justification that retrospective budgeting might otherwise have, because it disqualifies families who would otherwise receive increased benefits to compensate them for the two months that retrospective budgeting left them in the lurch.

PROGRAM OPERATIONS

The bill introduced by Representative Stark contains several other provisions which the Coalition believes represent much needed corrections or additions to the A.F.D.C. program. Foremost among these perhaps is the innovative Emergency Shelter program for the homeless. This population has always faced special hardships, and it is entirely possible that every penny spent here will return many times that amount in saved social services and foster care costs. This is because children are often removed from their families solely because those families are homeless, with all that such a condition entails in terms of stress and hardship. Frequently, temporary emergency shelter is all that is required to preserve the family unit and obviate the need for more costly and intrusive social services. Thus, the Coalition applauds this initiative, although one small change is suggested. Many available buildings could serve as potential shelters but for needed rehabilitation work (plumbing or space subdivision, e.g.). If § 416(d) were amended to allow such work, otherwise unusable space could be converted into the much needed shelters sought to be encouraged. Guarantees could be inserted here (or in the regulations) that would insure that the rehabilitated space be used as an emergency shelter for a certain number of years. The Hill-Burton Act might provide a usable model. Nonetheless, with or without this suggested change, the program is a good idea whose time has hopefully come.

Two other good ideas are the increased resource exclusions so that those in the A.F.D.C. program more closely reflect those in food stamps and medicaid, and the

provision of federal financial participation for the supplementation necessitated by retrospective budgeting. However, the Coalition firmly believes that the supplementation itself should be mandatory, not optional with the states. This is especially true in light of the F.F.P. to be provided. As the examples provided later demonstrate, the need for supplementation to redress the severe effects of retrospective budgeting is simply too vital to be left as an option.

Two further provisions of H.R. 3512 appear to need slight language changes to accomplish their intended purposes. The amendment to § 407(f)(1) would apply to any state that does not "currently" have an A.F.D.C.-U program. If, as appears, the purpose of this amendment is to encourage additional states to start such programs, the word "currently" should be replaced by the effective date of the Act. Otherwise, some states may be encouraged to terminate their existing A.F.D.C.-U programs and then restart them under the amendment's laxer requirements. This does not seem to be the intent of the change, and it should be made clear that such an avenue is not available to states that now have programs.

Similarly, the proposed amendment to § 406(b) regarding protective payments needs to be adjusted to reflect Representative Stark's concerns regarding the unnecessary use of that devise. For a variety of reasons, many agency workers seem enamored of the protective payment procedure and use it whenever possible. In attempting to limit its use, H.R. 3512 may in fact expand it. The current language is possibly ambiguous and therefore misleading. It shoud be altered to make clear that protective payments may never be used unless one of the criteria set forth in § 406(a) are met, and may be waived even then. Such appears to be Representative Stark's intent, and the language should reflect that as clearly as possible.

DEMONSTRATION PROJECTS

Both H.R. 3512 and H.R. 2563 propose funding for demonstration projects to explore unification of the requirements for and benefits of the various public assistance programs. While such a goal is undoubtedly worthy, the task is just as certainly difficult and labarynthine. No one is sufficiently knowledgeable about all the workings of or the interplays among the various programs to predict how a given change in one will affect the provisions and recipients of another. While reams could be written analyzing the potential changes that would be encouraged by the two bills, one salient point must be kept in sight. Before embarking on any project designed to increase the efficiency and quality of services provided, Congress should write in a guarantee that insures that the latter will not be sacrificed in the name of the former. This has already been done for demonstration projects directed at the elderly by § 1110(b)(2) of the Act, which provides that no one can be forced to participate in such a project and that no recipient will be worse off because of participation.

Such guarantees are necessary and admirable for our elderly population. They are no less so for our needy children. This is especially true when discussing demonstration projects that might be interdisciplinary, multi-departmental, and unfathomably intertwined and complex. No one could think up specific rules that would adequately protect children given all the permutations that would be made possible by such broad demonstration projects. This is not to say that such experimental projects are inherently bad. It is merely to state that they should be voluntary and that they should not be allowed to result in programs that leave recipients with fewer or smaller benefits than the individual programs would. The efficiencies sought should be derived from administrative savings, not from the checks of recipients. Amending the statute to provide the same protections as are found in § 1110(b)(2) would insure this result. No demonstration projects should be approved in the absence of such an amendment.

A second necessary protection, found in H.R. 2563 but not in H.R. 3512, is the requirement for public comment prior to adoption of any proposed demonstration projects. Again, no one is wise enough to foresee every contingency, and public comment merely affords more people, including potentially affected recipients, an opportunity to offer suggestions before large sums have been spent on implementation.

Finally, the provision found in § 1135(f) of H.R. 2563 is also to be commended. If savings are realized due to streamlined and consistent application and eligibility criteria, it is fitting that such savings be returned to the battle against need and deprivation.

In summary then, the Coalition for Basic Human Needs supports the direction indicated by these proposed bills. The recent indignities visited upon this nation's poor and unemployed do not befit a country of our stature. With some of the modifications suggested above, this proposed legislation takes the first necessary steps

toward a return to the fair and compassionate treatment that any civilized nation owes each of its citizens. It is the Coalition's hope that its comments may be reflected in what proves to be successful legislation.

EFFECTS OF RETROSPECTIVE BUDGETING

Retrospective budgeting has been in place in Massachusetts for almost a year now, and with the passage of time the system's predictable hardships for poor people have in fact become a reality. What emerges from the experience in Massachusetts is the protrait of a system that punishes the working poor and discourages people from seeking empolyment.

Massachusetts utilizes a two-month retrospective plan. As will be seen from the case studies that follow, this form of retrospective budgeting reserves its harshest aspect for those poor families that seek to remove themselves from the welfare rolls by searching out employment. Because the system ignores current need and instead pays benefits based upon a prediction derived from data that is two months old, the people who suffer most are those who are most likely to undergo an actual change in income during that two month period. This group is primarily made up of those who are working, or receiving unemployment benefits, but still need a partial A.F.D.C. grant in order for their families to survive. The income of such families fluctuates constantly, and often terminates altogether. Nonetheless, the retrospective budgeting system will not compensate for their lost income until two months have passed. During this time, families of five, e.g., are often forced to live on less than $100 per month, and not surprisingly fall hopelessly behind in their bills for such necessities as rent, heat and utilities.

Nor are only a small number of families so affected. According to the Massachusetts Department of Public Welfare figures submitted with its fiscal year 1984 budget request (9/10/82), in any given month there are 15,337 families with some form of outside income who receive partial A.F.D.C. grants. Of these, approximately 1700 (families) each month are likely to experience a loss of or significant decrease in their income. It is these families who suffer most under retrospective budgeting, for their bills go unpaid while the D.P.W. waits two months for its system to catch up.[1] As the following actual cases demonstrate, the results are equally draconian whether the loss of income is permanent or temporary.

Mr. V. has a wife and three children. He worked for twelve years in a local tire factory until the parent company closed the plant and moved elsewhere. Mr. V. began receiving unemployment insurance benefits and retraining for a new profession. However, his unemployment insurance was insufficient to meet the Massachusetts standard of need for a family of five, and his family therefore also received approximately $100.00 per month from A.F.D.C. Mr. V.'s unemployment benefits expired before his retraining program was complete. Unfortunately, because of retrospective budgeting, the DPW refused to recognize his family's loss of income for two months. During that time, Mr. V. and his family had to live on just the $100/month that they had been receiving from A.F.D.C. This was not enough even to meet the mortgage payment, much less other necessities, and Mr. V.'s bank quickly threatened foreclosure on the home he had labored twelve years to acquire and maintain. Simultaneously, the electric company threatened to shut off his heat and lights, for, it being during the winter, the monthly electric bill was also higher than the V's A.F.D.C. payment.

Thus, the loss of unemployment benefits precipitated an immediate financial and family crisis for Mr. V. This situation is especially egregious in light of the fact that Mr. V. lost his job in the first place under circumstances that merely reflected the depressive state of the nation's economy. Retrospective budgeting is simply ill-designed to operate in such times. This is especially true when the operation of the system is considered in conjunction with the 150 percent gross income cap on A.F.D.C. eligibility. When Mr. V. finally completed his job retraining and began to work again, his income was over the 150 percent cap. Consequently, his A.F.D.C. benefits ended immediately and his family never received the money that had been "delayed" for two months under retrospective budgeting. For the V family, then, the delay was in fact a permanent loss, and they received almost $800.00 less than

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[1]Perversely, those who remain totally dependant upon public assistance are not radically affected by retrospective budgeting. The first two months of A.F.D.C. benefits are paid prospectively, and the benefit amount does not fluctuate month to month. Consequently, families on full aid are often better off than those who have managed to acquire temporary or sporadic jobs. This work disincentive has not gone unrecognized among recipients.

any other family of five with no outside income. Such is one cruel and illogical aspect of retrospective budgeting.

Ms. J. is the mother of two minor children. She acquired a job through the A.F.D.C. Work and Training Program, but still received a small A.F.D.C. grant. After two months on the job, she and her employer mutually agreed that she was not physically strong enough to do the work, and her employment was terminated. Again, because of retrospective budgeting, Ms. J. and her children had to live for two months on the $60.00/month she had been getting from A.F.D.C. while she was working. She was immediately threatened with eviction and a loss of utilities. Even worse, the Department of Social Services investigated taking her children, for it was at least apparent to them that Ms. J. could not adequately provide for her family on $60.00/month. Thus, participation in the mandatory Work and Training Program, when combined with retrospective budgeting, hardly had the salutory effect on Ms. J. intended by Congress. Instead of rendering her and her family self-sufficient, it rendered them destitute and very nearly destroyed the family unit itself. Nothing could be further from the stated goals of the A.F.D.C. program.

Ms. A. is the mother of four children. For a number of years she has had a part-time job as a school bus driver for a local Catholic school, but has still required a small A.F.D.C. grant. Each summer, when school is out, Ms. A. has had no work. In the past, prior to retrospective budgeting, her A.F.D.C. grant was increased to reflect the temporary loss of income. This year, however, Ms. A. was told that she and her children would have to live on $50.00 per month during the summer, but that in September and October, when she began work again, she would recoup the loss because the system would then take two months to reflect the increase in her income. Ms. A. pointed out that the increase in September would do her no good, for in the meantime she would be evicted from her subsidized apartment. The increase in September and October would do nothing to help her find or afford a new apartment, nor would it enable her family to survive until it arrived. Consequently, because of retrospective budgeting, Ms. A. and her family will lose a decent, affordable place to live and be forced to search out another dwelling in a city in which the vacancy rate for family housing is less than 1 percent. Even were she to find another place to live, it is impossible to envision how she will be able to pay the requisite first month's rent and security deposit with her $50.00 A.F.D.C. grant. Thus, even for Ms. A., who will eventually recoup the money withheld because of retrospective budgeting, the system will result in the loss of her home and the devastation of her family.

The above are but three examples of how retrospective budgeting has ravished eligible needy families in Massachusetts. The system has few advantages and numerous, destructive drawbacks. It is a budgeting method that punishes the eligible and those who are most ambitious and cooperative. Rather than supporting family life, it often threatens and destroys it. In short, it is a methodology that is antithetical to the A.F.D.C. program and it should be abolished as an experiment that has failed miserably.

Statement of Marian Kramer, Chairperson, Michigan Welfare Rights Organization

SUMMARY

I. 150 percent of State need standard as gross income limit for AFDC

Persons being terminated are those trying to get a foothold in the paid labor force and become self-sustaining.

Inclusion of youngster's income in "cap" test discriminatory; non-poor families' youngsters' income not included in IRS reporting.

150 percent of Michigan standard equals only 107 percent of poverty level, using 1981 poverty standard, and equals only 54 percent of state median family income, using 1982 standards.

Recommendation: Elimination of the cap as a disincentive to families trying to lift themselves out of poverty by participation in the labor force.

II. Work expenses and earned income disregards for working AFDC household

Under OBRA changes, mother of two in Wayne County with part-time minimum wage job has $59 a month less disposable income to support her children (after four months) than if she did not work.

Current work expense deduction does not cover taxes, transportation and other costs, particularly where mass transit nonexistent; Michigan's rural and suburban area recipients severely affected.

Recommendation.—Work incentives be reinstated by: (1) allowing the higher of 20 percent of gross or actual work expenses; (2) disregarding $50 and one-third of remainder to allow household to improve its standard of living; and (3) eliminating the four month limitation on disregards.

III. Monthly reporting and retrospective budgeting [MRRB] provisions

Monthly reporting functions to eliminate eligible persons from participation given literary problems, non-English speaking handicaps, undependable U.S. postal service and internal agency mail routing, excessive administration burden on caseworkers.

Retrospective budgeting incongruous in a needs based program which ostensibly exists to keep people alive.

Recommendation.—(1) Minimally, that MRRB be optional to the states; (2) if states elect MRRB, they can (a) only require monthly reporting of households with earned income and fluctuating unearned income; (b) must develop a simplified, readable reporting form, with public input; (c) must reinstate eligible households who report within a reasonable time with no loss of benefits; (d) must pay timely supplemental benefits to households which have increased need, for which a federal match is supplied; and (e) must allow ten days "slippage" time after the reporting deadline before working households lose their earned income disregards.

IV. Treatment of nonrecurring lump sum income

Persons receiving lump sums are unaware of OBRA provision, usually use money to pay debts or buy items unobltainable on subsistence level grants.

Families which unknowingly use their income tax rebate to repair their car, which they use to seek employment, should not be left without income because the outlay was in a non-life threating area.

Recommendation.—Changes in income, resources, family composition or other circumstances should shorten the period of ineligibility due to lump sum income; that $1,000 of the lump sum be disregarded in household with no other liquid resources. Further, if families can provide receipts for back bills (utilities, heating, etc.), home repairs, clothing, then they should receive a disregard.

V. Community work experience program [CWEP]

Some jurisdictions require AFDC parents to "work off" their entire grant, including that portion which is offset by support payments supplied by the absent parent, who is often consistent in support payments primarily to allow the custodial parent to be in the home caring for the children.

$25 monthly CWEP payments allow roughly $2 per day for transportation and child care for person "working off" a $335 monthly grant.

Recommendation.—(1) States which operate CWEP must supply actual costs of transportation and child care to participants on a prospective basis, with a federal match; (2) participants not be required to "work off" income which is actually supplied by the absent parent and not the state; and (3) this program should be dropped, because we need fair work (with benefits) and not workfare, which is slave labor.

BACKGROUND INFORMATION AND COMMENTS

I. 150 percent of State need standard as gross income limit for AFDC

This provision closed approximately 4,200 cases in Michigan in November 1981. (These families also lost Medicaid eligibility, and are now subject to a spend down for Group 2 eligibility.) Basically the families terminated would seem to meet the definition of the "deserving poor"—those trying to pull themselves up by their bootstraps by attempting to gain a foothold in the paid labor force and provide a slightly better standard of living for their children. Under the new gross income limit, all family income is counted, including the youngsters' earnings from baby sitting or a paper route (as well as an Earned Income Tax Credit advance payment each month, whether or not it is actually received and in spite of the fact that most working recipients are not eligible for the credit under current IRS law which requires that more than 50 percent of the children's support be provided by the person claiming the credit—which is not the case in most AFDC working households.)

When the family's total gross income exceeds 150 percent of the state's need standard, with no deductions, the family is terminated. In Michigan, however, 150 percent of the need standard for the average AFDC family of three equals only 107 percent of the poverty line.[1] (See Chart No. 1) The average family cut off assistance

[1] Using 1981 poverty line; percent would be lower under 1982 standard.

for having a few dollars excess income—even if food stamps continue to be fully used which in most instances will require a separate application—will only have $4 a day more for family survival than if they were subsisting in government defined absolute poverty. And if the objective is to deny assistance to families who are relatively "better off," it should be noted that this average family terminated from a cash supplement is surviving at only 54 percent of the current state median family income for a family of its size.[2]

II. Work expenses and earned income disregards for working AFDC households

Both the amounts of the deductions and the order in which they are deducted were changed under OBRA resulting in lower benefits for Michigan's 24,000 working (at the time) families, who escaped cutoff under the 150 percent gross income limit. After four months, all disregards except those for work expenses and child care are removed. The state estimated that this provision forced 5,500 families off the rolls in April, 1982. The actual impact of this change on a parent with two children who is trying to better the family's economic condition by working part-time in a minimum wage job (assuming the family is not terminated) is that the family's disposable income went from $558 per month in September 1981 to $390 between December and March, 1982, to $336 in April—which is $59 less than if the parent was not working at all and only receiving AFDC.[3] (See chart No. 2, A & B)

III. Monthly reporting and retrospective budgeting [MRRB] provisions

This system which provides a grant on the basis of need which occurred two months before may be an efficient administrative accounting procedure, but it is hardly an adequate response in an assistance program which ostensibly exists to keep people alive. Persons particularly hurt, again, are part-time marginal wage earners who are only sporadically needed in the labor force—whose hours fluctuate and who frequently get laid off. Also affected are persons who have another child or whose rent goes up, and who must wait two months for an adjustment in their grant.

Monthly reporting, which is the mechanism by which grants are calculated retrospectively, has caused monumental problems in Michigan since it was instituted in January of 1982 for all ADC recipients, regardless of whether their situation or income has changed. (The state had the option of excluding cases with no earned income or fluctuating unearned income from the monthly reporting requirement under the Reconciliation Act—as they have in the past—but they declined this option.) All cases had to file a report for January 1982 by the fifth working day of February and the administrative morass which resulted in local welfare offices was unprecedented. (All of the forms have to be reviewed for timeliness and completeness.) Eleven thousand cases were closed in the first few months with no real estimate done on how many eligible needy families lost their grants because they signed the form on January 29th instead of January 31st, or failed to check a box or fill out a section, or couldn't decipher the form at all. (Copy attached) To this day, we have seen no real analysis of how many eligible persons lost assistance because of monthly reporting.

On one of his Executive Orders, Governor Milliken estimated that $7 million in fiscal year 1982 would be saved through the monthly report reporting requirement. We can only assume that he believed this amount of savings would result either from removing ineligible people from the rolls or reducing overpayments, or from removing eligible families for one or two months while they reapply. Little data exists on how many families receive assistance for which they are entirely ineligible, or are overpaid, but the estimate is usually pretty low—from 3 to 10 percent of the case-load. This leaves us with savings which will result from thousands of needy families becoming needier as they try to renegotiate benefits with overburdened caseworkers.

Persons with earned income who don't return a completed form, properly dated and on time, lose all disregards regardless of the reason. This provision closes cases, and it again appears that the restrictive OBRA provisions function to punish low wage earners.

IV. Treatment of nonrecurring lump sum income

Persons receiving lump sum payments of any kind—insurance settlements, tax rebates, small inheritances—are required to live off of them for the number of months

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[2] Median income for families in Michigan for fiscal year 1982 adjusted for 3 persons was $16,362; 45 Federal Register 77520, Nov. 24, 1980.

[3] $26 of the loss is due to an additional 6 percent reduction in grants, effective Dec. 1, 1981; prorated reductions went from 2.5 percent to 8.5 percent.%

it would take to receive an equal amount from AFDC payments, at the need standard which was in effect when the family's case was closed. No adjustments are made in the length of time the family must remain off the rolls due to changes which are not considered "life threatening". The period of ineligibility is not shortened.

In our experience, persons receiving settlements have no idea they are required to spread the money out over future months to maintain themselves, and many of them buy beds, school clothes for the children, an automobile or the like—items unobtainable for them on a subsistence level AFDC grant. Minimally, an adjustment in the length of the ineligibility period under this provision should be made to reflect changes in circumstances.

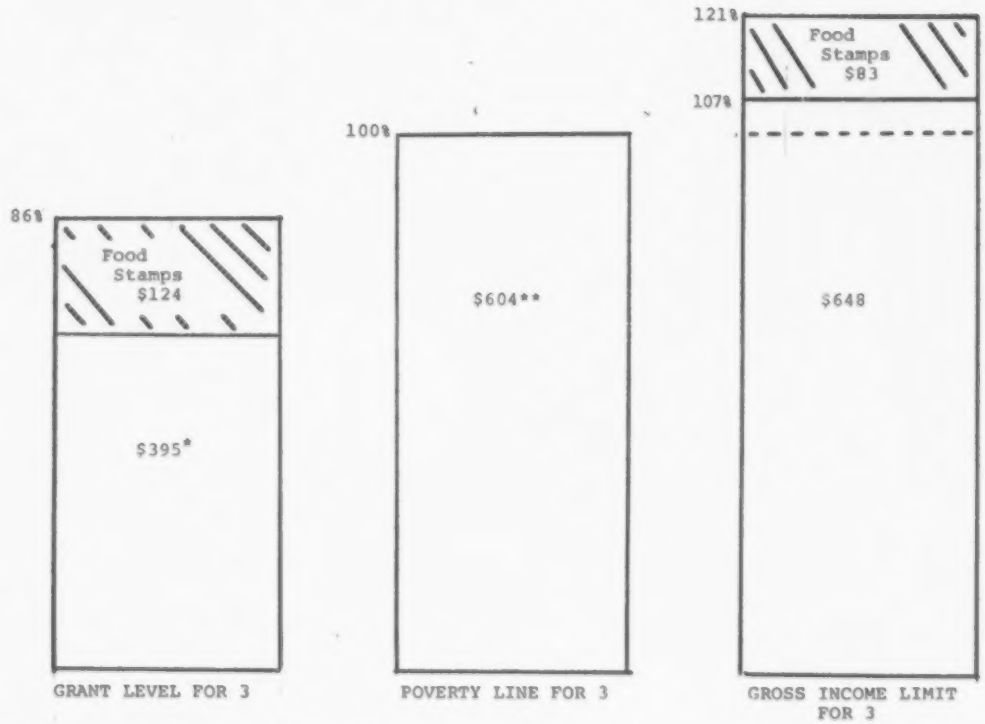
V. Community work experience program [CWEP]

In at least one Michigan county, an AFDC mother was required to participate in a CWEP project and work off her entire grant, including the amount which was offset by regular support payments made by the children's absent father to the State Department of Social Services. This requirement kept the mother away from the children for approximately ten days a month. The father was irate, stating that the very reason he made regular support payments was to allow his young children's mother to be at home caring for them.

As for the $25 expense amount which the federal government will match for CWEP participation: Assuming two children, a mother in CWEP has to work roughly ten to twelve days to "work off" her grant and would receive $2 a day for both transportation and child care, an obviously inadequate amount which does not even cover bus fare, let alone gas for an automobile in areas where no mass transit exists.

Our government has told us for years about the forced work programs in Socialist countries. I would like to ask you then what is CWEP, but forced work (slavery). You are forcing us to work off our grants, or don't feed our children. Further, our people are forced to work off the support payments that the absent parent has earned and paid. Again, you should drop this program.

RELATIONSHIP OF AVERAGE THREE PERSON FAMILY TERMINATED UNDER GROSS INCOME LIMITS TO THE POVERTY LINE

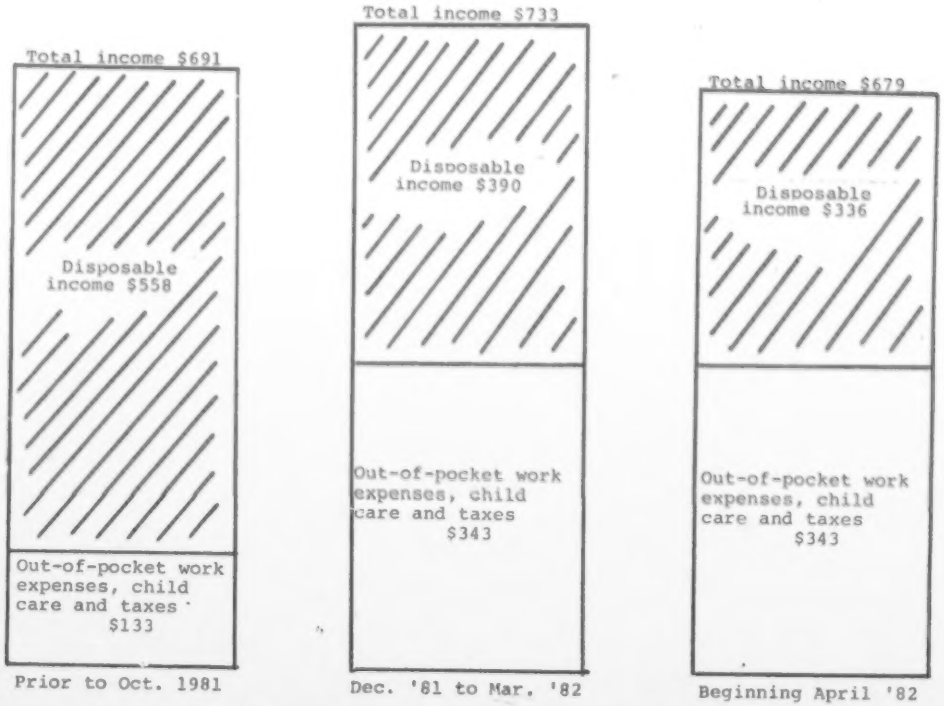


*Current need standard for family of three in Wayne County, $432, reduced by current 8.5% reduction for a grant of $395

**Weighted average threshold at the poverty level for 3 persons in 1981, U.S. Department of Commerce, Bureau of Labor Statistics

Chart #1

NEW EARNED INCOME DISREGARDS AND THEIR IMPACT ON DISPOSABLE INCOME


Total income $691
Disposable income $558
Out-of-pocket work expenses, child care and taxes $133
Prior to Oct. 1981
Total income $733
Disposable income $390
Out-of-pocket work expenses, child care and taxes $343
Dec. '81 to Mar. '82
Total income $679
Disposable income $336
Out-of-pocket work expenses, child care and taxes $343
Beginning April '82

THE ABOVE IMPACT ON DISPOSABLE INCOME REFLECTS THE SITUATION OF A WAYNE COUNTY FAMILY OF THREE, WITH THE PARENT WORKING 25 HOURS A WEEK IN A MINIMUM WAGE JOB FOR A GROSS EARNED INCOME OF $352 A MONTH AND RECEIVING AN AFDC SUPPLEMENT. (See attached breakdown for calculations)

Chart #2 A

Chart # 2 B

DISPOSABLE INCOME FOR WORKING RECIPIENTS UNDER THE OLD AND NEW LAW

This example illustrates how the changes have affected a family of three in Wayne County, with the mother working 25 hours a week at the minimum wage, for a gross earned income of $351.75 a month, $34.80 in an advanced EITC payment, work expenses of $63, formerly $42 in child care over and above her Title XX payments for the care--now $252 which she must pay out of her earnings.

OLD LAW		NEW LAW	
Gross Earned Income	$352	Gross Earned Income (incl. EITC)	$387
Minus $30	-30		
	322	Minus $70 Work Expense (18% of gross)	-70
Minus 1/3 of remainder	107		317
	215	Minus child care up to maximum (27.55% of gross)	-214
Minus taxes	-28		103
	187	Minus $30	-30
Minus actual work expenses	-105		73
		Minus 1/3 of remainder	-24
Total budgetable income	82	Total budgetable income	49
Need Standard ***	421	Need Standard ***	395
Minus budgetable income	-82	Minus budgetable income	-49
AFDC Grant	339	AFDC Grant	346
Disposable Income*	$558	Disposable Income**	$390

* Grant plus earned income minus work expenses and out of pocket child care costs.

** Grant plus earned income minus work expenses and actual child care costs of $252. ($20. per day x 12.5 work days per month.)

	First 4 months	After 4 months
AFDC Need Standard	$395	$395
Minus budgetable income	-49	-103
Amount of grant	346	292
Plus net available earnings	44	44
Disposable income	$390	$336

Note: This family had $558 in disposable monthly income under the old law; after four months it will be reduced to $336-- a loss of $222 per month. The family will have $59 less than if the mother did not work.

***Need Standards reflect state executed 2.5% reduction before December 1981 and 8.5% reduction since.

26-046 O - 84 - 16

3 COST OF CARE FOR CHILDREN AND OTHER PERSONS

INSTRUCTIONS 1. Complete this section if you have costs for child care or for the care of an ill or disabled person.
2. Send proof of your costs for child care or care of others.
3. Be sure you list a Reason For Care. Examples: work, education, training. If reason for care is education or training, send proof of the number of hours spent in the classroom or in training.

▶ Did child care costs start, continue, or stop? (Mark X) ☐ Yes, fill in below ☐ No, go to 4

Name of Person Receiving Care	Monthly Cost	Who Provides Care? (Name and Address)	How Many Hours Per Month Was Care Provided? In Your Home	In a Day Care Center	In Someone Else's Home	Reason For Care
	$					
	$					
	$					

4 OTHER INCOME

INSTRUCTIONS
1. Report income OTHER THAN FROM WORK which starts, stops or changes during the REPORT MONTH. Change includes any income received weekly or more than weekly even if the amount stays the same. Attach 2 months stubs if unsure.
2. Examples of income which MUST be reported are: Unemployment benefits, SUB pay, child care, worker's compensation, underwriter insurance, pensions, Indian allotments, income from property and rental property, lump sum payments, such as back social security, an insurance or court settlement, income tax refunds, or lottery prize. DO NOT report ADC, general assistance, food stamps, or emergency needs payments.
3. Send proof of income. If you have a question about what needs to be sent, ask your worker.

▶ Did income other than from work start, stop, or change? (Mark X) ☐ Yes, write in below ☐ No, go to 5

Person Receiving Income	Amount	Date Received	Type of Income	Did Person's Income Start, Change, or Stop	Will Income Continue Next Month Week #1
	$				☐ Yes ☐ No
	$				☐ Yes ☐ No

Does any person in the home pay support payments? ☐ Yes ☐ No

If Yes, Name of Person Making Payment | Amount Paid During Report Month (Send proof) $

5 HOUSING COSTS

INSTRUCTIONS. If there were changes in any of these, CONTACT YOUR WORKER to find out what proofs are needed.
• Mortgage • House payment • House rent • House insurance • Property taxes • Utilities (heat, lights, gas, water, sewage, etc.)

▶ Was there a change in housing costs? (Mark X) ☐ Yes, write in below and contact your worker ☐ No, go to 6

What Was The Change(s)?

6 ASSETS

INSTRUCTIONS: 1. If anyone in your home has bought, sold, given away, or received assets, REPORT IT. Here are some examples:
• Cash, checking account, savings account or certificates • Stocks, bonds, insurance, trust fund or bond • Land contract, house, or property
• Car, truck, camper, boat, snowmobile, motorcycle • Recreation property, cottage, buildings • Life insurance (cash value)
2. If you have changes to report, contact your worker to find out what proofs are necessary.

▶ Were there changes in assets? (Mark X) ☐ Yes, write changes below ☐ No, go to 7

Item of Asset	What Happened? (Bought, Sold or Changed Value)	Date It Happened	Amount You Got/You Paid	Amount You Still Owe	Current Market Value
			$	$	$
			$	$	$

7 SCHOOL ATTENDANCE

INSTRUCTIONS: List anyone AGE 14 OR OLDER in your home who started or quit school or reduced hours during the REPORT MONTH.

▶ Were there changes in school attendance? (Mark X) ☐ Yes, list below ☐ No, go to 8

Person's Name	What Happened? (Mark X)	Name of School or Training Program	Hours Per Week
	☐ Started ☐ Quit ☐ Reduced Hours		
	☐ Started ☐ Quit ☐ Reduced Hours		

8 MEDICAL COSTS

INSTRUCTIONS: 1. Mark yes if anyone in your home is over age 60, or receiving SSI or receiving social security disability and has medical expenses, or
2. Mark yes if anyone in your home has medical transportation costs for regularly seeing a doctor. Contact your worker about proofs needed.

▶ Did anyone have these costs? (Mark X) ☐ Yes, list below ☐ No, go to 9

Person's Name	Type of Medical Cost	Amount
		$

9 EXPECTED CHANGES

▶ Do you expect any changes in your circumstances in the next two months? ☐ Yes ☐ No If yes, explain

What Will Change?

RIGHT TO A HEARING

You may request a hearing if you believe any action of the department is incorrect, improper, or illegal. A request for a hearing must be in writing and signed by you or a person acting for you. A hearing request for food stamps may be made in person or by telephone. Send the request for a hearing to your local Department of Social Services. You can find out about free legal services by asking your worker.

I understand that the information I provide on this report may result in changes in my assistance, including reducing the amount of my checks, food stamps, and medicaid, or closing my case. I understand that such changes may be made without advance notice. I am aware that federal and state laws provide for a fine and/or imprisonment of any person who fraudulently attempts to receive, or fraudulently receives public assistance, medicaid, or food stamps to which the person is not entitled.

SIGN AND DATE THIS FORM ON OR AFTER THE LAST DAY OF THE REPORT MONTH.

TO THE BEST OF MY KNOWLEDGE, I CERTIFY THAT THE STATEMENTS ON THIS FORM ARE TRUE AND CORRECT.

Recipient's Signature or Mark	Date	Signature (Spouse or Parent in Home)	Date
Signature of Other Person Completing Form	Date	Recipient's Phone Number	

DSS-2296 (Rev. 4-82) (Back)

The Michigan Department of Social Services will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, marital status, handicap, or political beliefs.

SAMPLE - MONTHLY REPORTING FORM FOR AOC/GA/MAJFS

If you do not understand this form, call the Department of Social Services.
If you NO ENTIENDE esta noticia llame por telefono al Departamento de Servicios Sociales.
إذا كنت لا تفهم هذه الصحيفة ، الرجاء الإتصال بدائرة الخدمات الإجتماعية

This REPORT MONTH is

DUE DATE

MONTHLY ELIGIBILITY AND INCOME REPORT
Michigan Department of Social Services

INSTRUCTIONS: READ CAREFULLY

- ALL questions concern anyone living in your home. The YES or NO box in each section must be marked. First read the instructions for each section. Mark YES, if you have something to report. Mark NO if you have nothing to report for that section. Attach additional paper if needed.
- If you have earned income and your report is received in the local office after the due date, work expenses, child care costs, and other disregards will not be deducted from your earnings.
- You must report changes to your worker which may affect your eligibility within 10 days after you learn of the changes. These changes should also be reported on this form.

FOR OFFICE USE ONLY

REPORT STATUS 1 2 3 4

Trans. #

Trans. #

Entry Payment Distribution
1 ___ 2 ___ 3 ___ 4 ___ 5 ___
6 ___ 7 ___ 8 ___ 9 ___ 0 ___

Worker | Date

Trans. #

FS Deduction
1 ___ 2 ___ 3 ___ 4 ___
5 ___ 6 ___ 8 ___

Worker | Date

Trans. #

Messages | Pictures

(1) PERSONS IN YOUR HOME

INSTRUCTIONS: List anyone in your home who during the REPORT month
- was born
- died
- got married
- became pregnant
- gave birth
- ended pregnancy
- moved in or out of your home
- is temporarily absent from your home

▶ Were there changes with persons in your home? (Mark X) ☐ Yes, write in changes below ☐ No, go to (2)

Person's Name	Relation to You	Age	What Was The Change	Date of Change

(2) INCOME FROM WORK

INSTRUCTIONS:
1. Report the earnings of anyone who worked during the REPORT MONTH.
2. Mark YES if earnings STARTED, CONTINUED, or STOPPED. Send proof of earnings (pay stubs) or loss of earnings (lay off slip). Be sure your name is on the proofs so your worker can send them back.
3. There are examples of income from work: employment, self-employment, room and board, baby sitting or chore services.
4. Self-employed persons: Enter gross income and attach a separate sheet of paper listing operating expenses.
5. The Department must add an amount for advance Earned Income Tax Credit (EITC) payments to your earnings. If your employer refuses to pay the advance EITC, get proof of this from your employer and send it to your worker.
6. If one person has more than one job or if more than one person in your home has worked, attach a separate sheet and answer the same questions as below for that person.

▶ Did earnings from work start, continue or stop? (Mark X) ☐ Yes, fill in below ☐ No, go to (3)

Person's Name | Social Security No. | Did This Person's Income ☐ Start ☐ Continue ☐ Stop | Did Income Continue Last Month? ☐ Yes ☐ No

Was This Person an Infant at ANY TIME During The REPORT MONTH? ☐ Yes ☐ No

Was This Person an Infant on The LAST DAY of The REPORT MONTH? ☐ Yes ☐ No

Date Paid	Hours	Earned Before Tax	Tips	Date Paid	Hours	Earned Before Tax	Tips
1st payday				4th payday			
2nd payday				5th payday			
3rd payday				Employer's Name			

Employer's Phone

Does any person in the home pay support payments? ☐ Yes ☐ No

If Yes, Name of Person Making Payment: | Amount Paid During Report Month ($ and cents) $

353-2231 (Rev. 6-82) Previous edition obsolete. Attach a separate sheet to report any more earners.

STATEMENT OF LUPE ANGUIANO, PRESIDENT, NATIONAL WOMEN'S EMPLOYMENT AND EDUCATION, INC.

My name is Lupe Anguiano, I am founder, President and Chief Executive Officer of the National Women's Employment and Education, Inc. (NWEE). NWEE is a private non-profit tax exempt 501(c)(3) corporation.

FIVE-YEAR PLAN

NWEE's five-year program plan is to demonstrate on a national level an effective process and systems approach to assisting women on AFDC Welfare to obtain and retain permanent employment and skills training in the private sector. This will be accomplished through the implementation of the successful women's employment and education model program (WEEMP) in key local communities throughout the United States.

NWEE's primary objective is to improve the quality of life of families headed by women—especially families trapped in the AFDC Welfare poverty cycle; those supporting themselves through Child Support and women who are Displaced Homemakers.

The Women's Employment and Education Model Program (WEEMP) operates in the following manner:

Step 1

Private Sector, entry level, jobs are developed, the employer agrees to provide the skills training. If the employer requires minimal skills (such as be able to type 20 words per minute), we then turn to nearby community college, continuing education center and arrange for the needed minimal skills training.

Step 2

Women on Public Assistance are recruited for specific jobs. If the woman expresses an interest in the job, the Outreach Counselor works with the women to organize a child care and transportation plan.

Step 3

These women are then admitted to a three-week employment/education readiness program. Employers work with us in the classroom. Major feature of the three weeks is a five-year employment and career plan. The women are exposed to all companies in the community.

Step 4

Women make final application for the job. They are interviewed by employer and are hired.

Step 5

Key to the success of our program is the one-year follow-up. The Employment Counselor assists the women through counseling and support services to adjust to the job and stabilize themselves in the work force.

Step 6

Is the monthly, quarterly and annual evaluation conducted by NWEE.

WEEMP is packaged in six Manuals, published (copyright) by Twenty-Third Publications in Mystic, Connecticut. The six Manuals are: Job Developer's; Outreach Counselor's; Instructor's Employment Readiness; Participant's Employment Readiness; Employment Counselor's and Program Director's Manual.

The ultimate national goal of NWEE is to demonstrate that the WEEMP process and systems approach can re-channel 85 percent of our nation's 11 million AFDC Welfare families, headed by women, into self-sufficiency through employment.

In my opinion, our Nation's AFDC welfare policy should provide (from the first day) employment, skills training, coupled with emergency (temporary) services (such as child care, health and transportation) to assist the women to stabilize themselves in a job.

Child Care is a unique feature of the WEEMP. Women on AFDC Welfare who are interested in making Child Care a professional career are trained through local community colleges as Child Development Specialist (to obtain an academic degree) and in business management.

Upon graduation, the women are helped to provide Home Child Care as an entrepreneur (business) in their local communities where it is needed.

IMPLEMENTATION OF WEEMP

Implementation of WEEMP is cost effective because NWEE selects creditable local community organizations or agencies known as program sponsors or affiliates to establish WEEMP. A partnership relationship is created, NWEE does all staff training, provides program management expertise and does all the evaluation, and helps with the community education component.

Program evaluation is conducted on a monthly, quarterly and annual basis by NWEE staff. Evaluation data is utilized to modify the WEEMP to assure unique local needs are met. The data also serves as the base for continued quarterly in-service staff training sessions.

Evaluation data is also used to develop national community education media projects, such as depicting women before (on AFDC Welfare) and after they have entered employment and succeeded in self-sufficiency. Employers will also be viewed. This media information helps established agencies who are serving AFDC Welfare recipient to use the WEEMP's approaches, to help recipients move into self-sufficiency instead of merely providing social services.

Target States selected for the five-year plan are New York and California. They were selected primarily because they rate among the nation's highest in AFDC Welfare payments. Local sites ready to implement the WEEMP are Harlem, South Bronx and Westchester County, New York. The California program is in development stages primarily in Los Angeles. We also want to strengthen our Ventura County NWEE Affiliate program.

Other sites in development and organizational stages are: Philadelphia, Pennsylvania; and Columbia, South Carolina.

SITE SELECTION CRITERIA—NWEE AFFILIATE

(1) NWEE selects sites and program sponsors based on the following criteria:

(*a*) Sponsor group must have a record of effective working relationship with AFDC Welfare recipients.

(*b*) Sponsor group must have the capability of sustaining an ongoing effective working relationship with local community employers.

(*c*) Sponsor group must have a record of strong fiscal accountability and an already established management system.

(*d*) Sponsor group must agree to work with NWEE who will act as the principal WEEMP developer, trainer, evaluation specialist and program management system organizer. This partnership will be for at least a three-year working arrangement. NWEE's involvement will be strong the first year and gradually less each year. The program should be able to operate self-sufficiently after the third year.

The Model program's average performance record is: 90–85 percent job placement rate; 88 percent one-year job retention rate; 80 percent are AFDC welfare recipients; 40 percent are women supported through child support or are displaced homemakers. Total program cost per participant (includes administrative costs) ranges from $700, $800, $1,000 to $2,500 (in New York and California). The first year the program serves fifteen (15) participants each month or one hundred eighty (180) per year; the second year, twenty (20) participants each month or two hundred forty (240) per year; the third year, twenty-five (25) participants are served each month or three hundred (300) per year.

NWEE affiliate programs are located in San Antonio, Texas (Westside Coalition); Tacoma, Washington; Denver, Colorado; and Ventura County, California. The Dallas and El Paso affiliate work with a different Texas State Coordinating group.

NATIONAL WOMEN'S EMPLOYMENT AND EDUCATION, INC. (NWEE)

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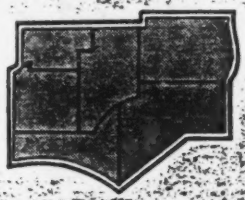

Saint Stephen
Saint Timothy
San Alphonsus

San Juan de los Lagos
Our Lady of Guadalupe
Immaculate Conception

P.O. Box 7332
San Antonio, Texas
78207

The Westside Parish Coalition's Women's Employment Program is completing its first year of operations at its westside training headquarters at 1006 San Carlos, San Antonio, Texas. The San Antonio affiliate of the National Women's Employment and Education, Inc. (NWEE) founded by Ms. Lupe Anguiano, the Women's Employment Program (WEP) is a four to six week participant practicum in pre-employment and basic skills training. Operating in the heart of westside San Antonio, an area with a 97% Hispanic population and a 96% unemployment rate for female, heads of household with children, the WEP seeks to transform a welfare dependent family into a self sufficient, income producing family through private sector, full-time employment for the mother-provider.

Highlights of the 1982-1983 Women's Employment Program (Oct.-June) are:

- 700 program applicants including over 200 from area public housing projects.
- 131 graduates from the Women's Employment Program Training Center, with 45 more projected graduates graduates through September.
- 116 WEP graduates or 88% already employed full-time in the private sector.
- 89 of the WEP graduates were formerly supporting themselves through public assistance, with 20 others being assisted by their families.
- 70 didn't graduate from high school or have a GED degree.
- Retention rates for one year remains at 83% of graduates placed in employment.
- Cost effectiveness remains below $700.00 per participant.

Other program initiatives have included the foundation and operation of four (4) Adult Basic Education Centers (GED) throughout the near westside area in 1982-1983, where over 66% of the adult population has never completed the eighth (8th) grade. Such centers served over 250 men and women in 20 weeks in operation during 1982-1983, providing GED classes, transportation, testing, and books to participants free of charge. In addition, vocational training specifically designed to assist the Women's Employment Program participant in fulfilling future job responsibilities was provided through San Antonio College.

A complete opportunity, the Women's Employment Program allows the participant to obtain a GED degree, receive pre-employment training, obtain needed vocational skills, and be placed into full-time immediate employment within a short period of time, all at a cost effectiveness of below $700.00 per participant.

During 1982-1983, over $1,000,000.00 in wages was put back into the San Antonio economy by more than 100 Women's Employment Program graduates and their families who were formerly being supported through public welfare assistance.

STATE OF NEVADA,
DEPARTMENT OF HUMAN RESOURCES,
Carson City, Nev., June 27, 1983.

Congressman HAROLD FORD,
Chairman, Public Assistance Subcommittee,
Washington, D.C.

DEAR CONGRESSMAN FORD: We have reviewed the APWA letter dated 5/19/83 regarding H.R. 2563—Integrated Service Delivery Demonstrations. I would like to express our support for certain concepts of the bill and at the same time comment on areas that may pose problems for Nevada's participation in the Demonstration Project in the proposed bill.

Nevada is currently experiencing problems with inconsistencies between requirements of the Aid to Dependent Children (ADC) program and Food Stamp program federal regulations and laws. These inconsistencies not only make administration of the two programs unnecessarily difficult but also make the programs more complex for clients to understand. The major inconsistencies we would like to eliminate are in the areas of: Budgeting/reporting of income; Definition of a household; Application and disregard of income and resources; Case processing time frames; More stringent and detailed requirements in Food Stamps regulations for forms and procedures causing difficulty in consolidating ADC and Food Stamp forms, procedures and policy.

If H.R. 2563 is approved, Nevada would consider making application for a demonstration project to make Food Stamps and ADC more administratively compatible. Waivers would be necessary to address the above stated concerns. Our goal would be to make total case processing, including client requirements as much the same as possible, for ADC and Food Stamps. This would make it much more feasible to have one elibibility worker learn and work with both programs, it would require less training, be easier for clients to understand and overall be more efficient and less costly to administer as forms, policy, training, etc., could be consolidated.

Because Nevada is only interested in combining two programs, some aspects of the proposal would not be applicable. We would thus like to request modification in some of the requirements. Following are our general comments/concerns:

There should not be a mandate involving any programs other than ADC and Food Stamps. Nevada would like to see the proposal amended to clearly state this.

There should be maximum flexibility, limited only by absolute requirements.

Federal intervention/control should be strictly minimized to avoid the kinds of problems we are faced with currently.

We strongly disagree with the mandate ALL nine activities for integrated services must be included. Some of these requirements would complicate and burden the project without benefiting the objective. Others go way beyond considerations which are necessary or important for a demonstration project such as we envision.

Any undertaking by Nevada would have to be statewide. Nevada is lightly populated and our welfare system is state-administered. Operating a dual system in separately identified areas of the state would be unduly costly and cumbersome.

Time frames are not only desirable but crucial in administration of any program. This would be especially true for a test or demonstration project. Therefore, strict time limits should be established for states to make application and submit proposals for the demonstration project, as well as federal confirmation of approval/denial, waiver approvals, etc.

Following is our briefly stated position on the nine activities which are proposed to be required in order to participate in the Demonstration Project:

(1) Create a common set of terms for use in all human service programs involved. This would be very helpful and an important contribution to the primary objective of consolidation.

(2) Establish a single comprehensive family profile which is suitable for use under all the human service programs involved. Currently Nevada maintains two separate case files for ADC and Food Stamps. This has worked well in the past and we would like to retain this practice, at least as an option. Our success in case processing has been demonstrated by Nevada's maintaining for the last decade, the lowest Quality Control error rate in the nation for both programs.

(3) Develop and maintain a single resources directory by which the citizens of the community involved may be informed of and gain access to services which are available. This is generally a good idea however, we do not feel it should be a condition for the Demonstration Project. The proposal allows for integration of any number of programs which may very well not be all programs. We are proposing to only combine two programs this requirement would extend beyond the scope of our plan.

(4) Use a unified budget and budgeting process, and a unified accounting system, with standardized audit procedures. Excellent!! This is one of our main objectives which is now prohibited by federal regulations. The ideal method would be to have unified budgeting between ADC and Food Stamps mandated by federal regulation as the rule, rather than the exception (currently only obtainable through waivers and demonstration projects).

(5) Implement unified planning, needs assessment and evaluation. This is essential for the successful joint administration of programs. We already coordinate as much as possible. This would enhance our efforts in this regard.

(6) Consolidate agency locations and related transportation services. We agree. Nevada's ADC and Food Stamp office locations are already either in the same building or located side by side.

(7) Standards procedures for purchasing services from non-governmental sources. This should not be a condition of participation in the project as it is non-essential to a state's proposal. The standardization of the method by which ADC and Food Stamps determine eligibility does not encompass any purchase of services; therefore, this activity is not applicable.

(8) Create communications linkages among agencies to permit the servicing of individual and family needs across program and agency lines. We agree. Nevada has long recognized the importance of communication linkage among various programs affecting each other and constantly strives to better these linkages.

(9) Develop to the maximum extent feasible, uniform applications and eligibility determination procedures. We agree. This is right in line with the plan Nevada wants to develop and is one of our main objectives.

In summary, we very much support H.R. 2563 with some modifications which would allow states more flexibility. The less federal intervention the easier it is for states to develop and administer a workable plan.

Nevada anticipates by unifying ADC and Food Stamp application processing, budgeting, and eligibility determination procedures, significant administrative cost savings would result. More coordination between the two programs would increase staff productivity and result in much better delivery of services to clients.

We will follow this bill with a great deal of interest. In the meantime, if you have any additional information or questions regarding Nevada's possible participation, please feel free to contact me.

Very truly yours,

SHARON P. MURPHY,
Administrator, Welfare Division.

SISTERS OF ST. JOSEPH OF PEACE,
Bellevue, Wash., August 3, 1983.

JOHN SALMON,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. SALMON: As a community of religious women committed to working for Justice for the Poor, and most notably women in this case, we feel obliged to contact you regarding H.R. 2354. Two of the harshest changes recently enacted by Congress in the AFCD program are addressed by this bill.

AFDC recipients were provided, prior to 1981, a financial incentive to work because their net earning were not deducted dollar for dollar from their AFDC grant. This was through the "30 and ⅓ income disregard" which exempted a certain portion of an AFDC recipient's net earnings.

The 1981 amendments eliminated this financial incentive by limiting the 30 and ⅓ disregard to only 4 months. This means that, after 4 months, an AFCD parents's net earnings are deducted dollar for dollar from the AFDC grant, making in some cases a disincentive to work.

The other amendment, the imposition of the 150 percent of the need standard limit, has had similar effects, making ineligible any family whose gross income exceeds 150 percent of the need standard.

We think these two 1981 amendments have hurt not only the recipients involved, but have also forced the states and federal governments to spend more money.

We, the Sisters of St. Joseph of Peace, support H.R. 2354 and urge the Committee to enact it into law.

Sincerely,

JOSIE E. REICHLIN,
Director, Office of Justice and Peace.

STATEMENT OF JANE RUSSELL, FOUNDER OF WAIF

SUMMARY OF TESTIMONY

Testimony focuses on the adoption assistance and Child Welfare Act of 1980 (Public Law 96-272) and the title XX provision which relate to Public Law 96-272. The need for and the success to date of Public Law 96-272 are discussed through both analysis and case examples. The case examples further serve to illustrate the needs of the target population; the status of the foster care and adoption systems; and how the programs of Public Law 96-272 can dramatically reform these systems—for children and for long-term cost effective budgeting.

The following requests are presented for consideration:

Title IV-B

Child welfare services should be fully funded at $266 million to continue the necessary reforms in the child welfare system, and to begin the preplacement preventive services. Child welfare training should be continued as a separate discretionary program.

Title IV-E

(1) The title IV-E foster care program should remain an open-ended individual entitlement program for needy children. The specific amounts needed to fully meet the program's requirements should be made available.

(2) Adoption assistance should remain an open-ended individual entitlement program for AFDC and SSI eligible special needs children with sufficient funding to allow the remaining States and jurisdictions to put mandated programs in place this year.

Title XX

Maintain title XX as separate identifiable federal entitlement program to the States, with an increased authorized ceiling of $2.8 billion.

STATEMENT

I thank you for the privilege of submitting testimony to you today. My name is Jane Russell; I am an actress; I have adopted three children; and I have been a child advocate for the past 30 years when I first testified before Congress on behalf of homeless children. I have testified in person before this subcommittee on March 11, 1981 and on June 15, 1983 appeared before the Senate Finance Committee.

In 1955 I founded Waif, an organization dedicated to finding permanent and loving families for America's homeless children. I serve on the national board of directors of Waif and have previously served on the California State Adoption Commission.

Waif is a national non-profit, voluntary organization, with members in every State across the country. Waif is the private sector. We are concerned volunteers and our programs are completely financed by private donations. I am not seeking funds for Waif's budget. Our advocacy is a pure attempt to provide a voice for voteless children.

I represent a half million children who are growing up in the limbo of foster care. Five hundred thousand children who are denied the opportunity to grow up in a nurturing and permanent family. They are truly the victims of a child welfare system headed in the wrong direction.

Several months ago I went to a hearing of the foster care review board in my home State of Arizona. The first case that the volunteer board members reviewed was that of Daniel. We spent an hour and a half looking at the bits and pieces that made up Daniel's case record. The truth is that Daniel has been lost in the foster care system for five years. There is no record of his whereabouts and there is no social worker assigned to his case. There are only 1,500 kids in the foster care system in Arizona. I can't imagine what is happening to children from high population areas where many thousands of children live in foster care in just one city.

We then met Karen who is 13 years old and has been in the foster care system for 11 years. During that time she has lived in two group homes and with seven different foster families. Karen said she was tired of the system. She's tired of coming home from school and wondering whether she will be greeted by her social worker and by a box pakced with all of her belongings because it's time to move once more. Karen wants to know why she can't come home from school like all the other kids and know that she's living with her own family and that they want her and love her. No one knows where Karen's parents are and no one has brought Karen to court to free her for adoption.

Then there was the mother of seven children who lived with seven different foster families all across the State. The mother has emotional problems and has turned to alcohol. She desperately wants her kids and her kids want to be with her. In fact, her kids keep running away from their foster homes and, when they run away, they run right back to their mother. These kids histories represent my concern for our foster care and adoption systems.

Fortunately, there are happy endings to these stories. Daniel has been found and has now been adopted by his foster parents. Karen was relinquished for adoption and will move in with her new family this month. Counseling has been provided in the third case and the mother has been rehabilitated. Her seven children have returned home; the family has been saved and the taxpayers have saved approximately $70,000 a year in foster care payments.

The resolution of these cases is a result of the Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272. It is a miraculous new law which works for kids, works for society, and works for the taxpayer. I plead with you today to preserve this legislation and maintain the maximum allowable funding as well as restoration of title XX funds which support its programs.

I have been to Washington four times in two years to meet with Senators and Congressmen. Although the law was enacted on June 17, 1980, there have been numerous attempts to fold it into a block grant. When it became clear that the Congress would continue to support this legislation, the administration put the implementing regulations on hold for nearly three years. Those regulations were finally published on May 23, 1983. Unfortunately, they fall far short of the specificity needed to implement the programs effectively. They do not clearly define structure of service or program accountability.

We must stop throwing good money after bad. For all too many years we have been throwing money in the general direction of the problem and then wonder why it's not working. Public Law 96-272 will make it work. It will target the errors of the system and provide the necessary reforms. That's already been proven when these programs have been tested in areas such as Oregon, Los Angeles County, Arizona and Illinois. In the 30 years that I have worked in this field, I have never before encountered a program which works so well for kids and so cost effectively for government. But it requires the investment of funds up front. We must invest in the systematic reform now to see the long-term savings in lives and tax dollars.

And so I once again fight for the life of Public Law 96-272 because this law fights for the lives of our children. Foster care funds are Uncle Sam's babysitting bill. Foster care is a very necessary service and most foster parents are amongst the

most devoted people in the country. But like babysitting, foster care is just fine for short periods of time. Real parents and permanent families are a lot better.

With private funds, WAIF has recently begun to sponsor a series of adoption parties called project adopt. We work in conjunction with both private and public agencies across the country to find adoptive families for children with special needs. Our first seven project adopt events have resulted in the placement of 146 children. Durrell found a family at age 16. Prior to his adoption, he had lived in 17 foster homes, three group homes and an institution. Eric is 14 years old, is mildly retarted, sight impaired and handicapped by cerebral palsy. Eric has lots of problems but he is no longer homeless. Susan is 14 years old, profoundly retarded and was considered unadoptable. Her social worker brought her to our project adopt event just to give her a day away from the institution. Six weeks later, Susan was living with her new adoptive family. John, Stephen and Jimmy are three brothers whose mother had died of cancer and whose father left them locked alone in their apartment for two weeks. Their father has disappeared but Jimmy, Stephen and Johny have found a new family to call their own.

I dare say that none of these adoptions would have become a reality without the programs of Public Law 96-272, for these programs free children for adoption and provide a subsidy to help with the extraordinary cost of medical care and maintenance for special needs children.

We must not let homeless children be caught in the debate of the federal deficit. Their needs are too great and their futures are in our hands. We must act wisely. I believe that the States want to help children but they just need help in doing it effectively. We currently have 50 different State adoption laws and some of them are at least 50 years behind the times. The result is that 500,000 American children grow up in the limbo of foster care without the love and security of a permanent family. We must ensure that our children's lives are not wasted and that our tax dollars are spent effectively.

If Public Law 96-272 is fully implemented we will see long-term savings. It is a lot cheaper to either return children to a restrengthened biological family or to place them in adoption than it is to continue them in an outmoded, ineffective foster care system. It costs between six and twenty-five thousand dollars to keep a child in the system for one year. In 1981, Los Angeles County saved $1,600,000 in foster care payments by placing 503 children for adoption. If these 503 children had remained in foster care to age 18, the foster care payments would have totaled in excess of nineteen million dollars. I am talking not only about humanity, but about wise and effective budgeting.

As you deliberate, I urge you to budget wisely for these children. You are their only hope. Specifically, I ask you to consider the following recommendations:

Title IV-B

Child welfare services should be fully funded at $266 million to continue the necessary reforms in the child welfare system, and to begin the preplacement preventive services. Child welfare training should be continued as a separate discretionary program

Title IV-E

(1) The title IV-E foster care program should remain an open-ended individual entitlement program for needy children. The specific amounts needed to fully meet the program's requirements should be made available.

(2) Adoption assistance should remain an open-ended individual entitlement program for AFDC and SSI eligible special needs children with sufficient funding to allow the remaining States and jurisdictions to put mandated programs in place this year.

Title XX

Maintain title XX as a separate identifiable Federal entitlement program to the States, with an increased authorized ceiling of $2.8 billion.

I thank you for the opportunity to submit testimony and for your thoughtful consideration.

Statement of Welfare Rights Coalition of Organizations

SUMMARY

The Welfare Rights Coalition of Organizations generally supports H.B. 2354, and especially urges adoption of amendments that would: (a) end the 4 month limit on

the $30 and ⅓ income disregard; (b) expand the existing limit on work expenses from $75 to $175; and (c) eliminate the 150 percent cap on AFDC families' income relative to the state's standard of need.

INTRODUCTION

The Welfare Rights Coalition of Organizations was recently formed among many longstanding welfare rights organizations in the Chicago area. The member organizations include the Chicago Welfare Rights Organization, the Illinois Welfare Rights Coalition, the Heart Uptown Welfare Defense Committee, the Tenant and Landlord Organization, the All Peoples Congress, El Hogar Del Nino, and the Council of the Majave. Objectives of the Coalition include improvement in the living conditions of low income persons through sharing of information, identification of issues, and coordination of resources. The various organizations that are members of the Coalition have many years of experience fighting oppressive welfare policies, in administrative proceedings, the offices of welfare bureaucrats, the Courts, the Illinois Legislature, and in Congress.

The following statement has been developed in consultation with our legal counsel, the Legal Assistance Foundation of Chicago, and the Illinois State Support Center, and has been adopted after deliberation among the member organizations.

INCOME DISREGARDS

The Welfare Rights Coalition of Organizations strongly supports the provisions of H.B. 2354 which would remove the four month limitation on the "$30 and ⅓ income disregard," would raise the cap on work expenses from $75 to $175, and would eliminate the cap on earned income (150 percent of the standard of need). Each of these policies has caused enormous hardship in Illinois since they were implemented in October, 1981, and place real obstacles in the path of AFDC recipients who are seeking to secure or maintain jobs.

The Illinois Department of Public Aid, which administers the AFDC program in Illinois, has provided us with statistics demonstrating how these provisions devastated AFDC families in Illinois. In September, 1981 there were 12,000 AFDC families in Illinois with earned income budgeted against their grant. From the period of October, 1981 through June, 1982, 6,200 working AFDC families lost their benefits. Of the cases closed during that period 2,224 families were cancelled because of the four-month limit on the $30 and ⅓ income disregard; 1,408 families were cancelled because of the 150 percent cap.

The IDPA does not have computerized closing codes for cases terminated by reasons of the $75 cap on work expenses or the $160 limit on child care expenses, and so no breakdown is available for the number of families cancelled because of these caps. However, IDPA officials have advised us that they consider the entire reduction of 6,200 earned income cases to be a result of policies required by the 1981 Omnibus Budget Reconciliation Act.

These figures are recapitulated on the following page together with a listing of additional cases closed from July, 1982 through July, 1983. In summary, more than 8,000 AFDC cases have been cancelled in Illinois from October, 1981 through June 1983, solely by reason of the changes in computing financial eligibility described above.

Each of these cancelled AFDC cases represents an ill-advised loss of a broad range of benefits. The most obvious loss is termination of cash assistance grant. Although many supplemental AFDC grants may appear relatively small, the loss of such moneys represents real hardship for families struggling at a subsistence level. The description of the experience of Barbara Rolark, infra at p. 5, typifies the experience of working mothers: The loss of supplemental cash benefits combined with the miscellaneous expenses of employment above $75 per month places a working mother in a worse position financially compared to mothers who stay on AFDC and do not obtain employment.

A reduction in available cash is further exacerbated by loss of other benefits as well: The Illinois Department of Public Aid routinely terminates Food Stamps and Medicaid benefits when closing an AFDC case. Many families also lose access to child care benefits and other vital social services.

Illinois Department of Public Aid AFDC Cases With Earned Income Budgeted Against Grant: [1] September 1981, 12,001; June 1982, 5,802; June 1983, 6,246.

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[1] Source: Richard Hamilton, Research & Analysis, IDPA July 21, 1983.

AFDC cases closed because of 4 month limit on 30 & ⅓ disregard: October 1981 to June 1982, 2,224; July 1982 to June 1983, 936.

AFDC cases closed because of 150 percent cap: October 1981 to June 1982, 1,408; July 1982 to June 1983, 1,018.

AFDC cases closed because of—4 month limit on a 30 & ⅓; 150 percent cap; $75 work expense limit; $160 child care limit: October 1981 to June 1982, 6,200 cases; July 1982 to June 1983, 1,954 cases.

Barbara Rolark, 8302 South Green Street, Chicago, Illinois represents one of more than 8,200 AFDC families cancelled because of changes required in the treatment of earned income under the 1981 OBRA. Ms. Rolark received AFDC, Medicaid and Food Stamp benefits for herself and her 4 year old child until March 1982, when she reported to IDPA that she had obtained employment as a fill-in, substitute housekeeper at Presbyterian/St. Luke's Hospital. All of her benefits were immediately terminated. An attached budget work sheet indicates benefits to which Ms. Rolark was entitled (but denied by IDPA because of a policy unlawfully restricting allowable child care expenses—the claim was successfully litigated by the Legal Assistance Foundation of Chicago.) The attached chart dramatically demonstrates the reduction in Ms. Rolark's available resources because of the $75 cap on work expenses and the 4 month limit on $30 & ⅓ income disregard.

Ms. Rolark presently receives unemployment benefits in the amount of $188.00 every two weeks. Ms. Rolark indicates that loss of supplemental cash assistance, food stamps, together with child care costs, bus fare, lunch money and other expenses associated with employment put her and her child in a far worse position economically. Ms. Rolark reports that she could not afford to continue working, but the problems caused by keeping her job were obviated when she was laid off after the hospital refused her request for regular full-time employment.

Ms. Rolark also reports that IDPA failed to forward funds collected on her behalf under the Child Support Enforcement Program. Furthermore, without Medicaid all routine preventive health care has been lost, and Ms. Rolark is worried that some dental problems that need attention are getting far worse because of lack of care.

We trust the Subcommittee will consider the plight of Ms. Rolark and the thousands like her throughout Illinois and across the country It is time to restore these work incentives rather than creating new bureaucracies like the Community Work Experience Project, the Win Demonstration Program and other similar programs.

WORKSHEET FOR COMPUTATION OF BERBERENA V. MILLER BENEFITS
AS OF OCTOBER, 1981

NAME: Barbara Roland

	(MONTH AND YEAR)	(March 82)	(April 82)	(May 82)	(June 82)	(July 82)	(Aug 82)
1.	Total gross earned income	$ 550.56	$ 506.00	$ 455.69	$ 322.00	$ 445.31	$ 387.06
2.	Add earned income credit payment	+ 35.40	+ 40.40	+ 41.65	+ 32.40	+ 41.65	+ 38.80
3.	Subtotal	= 585.96	= 546.40	= 497.34	= 354.40	= 486.96	= 425.86
4.	Subtract $75 for employment expense	- 75.00	- 75.00	- 75.00	- 75.00	- 75.00	- 75.00
5.	Subtotal	= 510.96	= 471.40	= 422.34	= 279.40	= 411.96	= 352.86
6.	Subtract income disregard for day care costs	- 120.00	- 100.00	- 100.00	- 80.00	- 90.00	- 80.00
7.	Subtotal	= 390.96	= 371.40	= 322.34	= 199.40	= 321.96	= 272.86
8.	Subtract $30 for earned income exemption (if applicable, for four months)	- 30.00	- 30.00	- 30.00	- 30.00	-	-
9.	Subtotal	= 360.96	= 341.40	= 292.34	= 169.40	=	=
10.	Subtract remaining 1/3 for earned income exemption (if applicable, for 4 months)	- 120.32	- 113.80	- 97.45	- 56.46	-	-
11.	Subtotal - Budgetable earned income	= 240.64	= 227.60	= 194.89	= 112.94	=	=
12.	Total unearned income (Specify type)_____	+ —	+ —	+ —	+ —	+	+
13.	Total - Budgetable income and unearned income.	= 240.64	= 227.60	= 194.89	= 112.94	over payment level = 321.96	over payment level = 272.86
14.	Payment level	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00	$ 250.00
15.	Subtract total income (item 13)	- 240.64	- 227.60	- 194.89	- 112.94	-	-
16.	AFDC grant amount should be:	$ 9.36	$ 22.40	$ 55.11	$ 137.06	$	$

TOTAL AMOUNT CLAIMED
(adding up all figures on line 16): $ 223.93

(Based on information provided by client)